COMPANY NOTE

Initiating Coverage

USA | Healthcare | Pharmaceutical Svcs.

December 8, 2014

Jefferies

EQUITY RESEARCH AMERICAS

PRA Health Sciences (PRAH)
Initiating Coverage With Buy Rating and $27.00 Price Target

BUY
Price target $27.00
Price $22.06

Key Takeaway

PRA's project-based and functional service solutions combined with the additive RPS client base offer significant cross-selling opportunities and the potential for accelerating revenue growth. Cost savings and IT initiatives also should deliver industry leading margin expansion, PRA management's strength. Thus, investors get the opportunity for industry leading EPS growth (17-19%) at an 18% discount to the peer group.

Jefferies acted as Lead Left Bookrunner on PRA's November 12th IPO.

In "Sweet Spot" for Next Wave of Strategic Deals. Surveys and channel checks indicate the next wave of strategic deal awards will come from small and mid-tier sponsors. Clients seek an influence level with CRO partners (i.e., Top 5 client), making smid clients and PRA a logical match. PRA is smaller than Q, PRXL and ICLR, but with broad therapeutic and functional capabilities and a global footprint.

Cross-Selling Initiatives Now Under Way. PRA has been a vendor of choice for small & mid-size biopharma, while RPS primarily served large pharma. Thus, little client overlap between the two firms proffers cross-sale opportunities. With the bulk of integration work complete, management has begun a more aggressive cross-selling effort; one that already posted a significant early win. We expect more will follow.

Lots of Margin Runway Left. PRA is targeting 200-500 bps of margin expansion (to 16-19%) over the next three years. It has many levers to pull to get it there, some of which are already in motion. Notably, achieving the top-end of this range would require some contribution from PRA's IT initiative, "Project P."

"Project P" Could Drive LT Margin Upside. Several years ago, PRA began developing a proprietary, cloud-based IT platform that will integrate all aspects of its business. The "backbone" elements have been developed, while new client-facing modules will roll out in mid-2015. Project P should benefit margin in 2016+.

Valuation/Risks

Our $27.00 PT is based on the average of four analyses: (1) We assume PRAH trades in line with late-stage peers on a P/E basis, implying $26.00. (2) Our DCF model produces $28.00. (3) The midpoint (18%) of our LT EPS growth sensitivity analysis and a peer average PEG ratio yields $27.00. (4) Finally, we assume its current EV/EBITDA multiple rolls forward on 13-14% EBITDA growth and ~$100M of debt repayment implies $28.00. Risks: large client loss and/or project cancellation; integration difficulties; and increasing large pharma M&A.

USD	Prev.	2013A	Prev.	2014E	Prev.	2015E	Prev.	2016E
Rev. (MM)	--	832.9	--	1,265.8	--	1,364.3	--	1,488.6
EV/Rev		2.7x		1.8x		1.7x		1.5x
EBITDA (MM)	--	97.6	--	176.6	--	197.6	--	224.5
EV/EBITDA		23.4x		12.9x		11.5x		10.2x
EPS Non-GAAP								
Mar	--	0.10	--	0.12A	--	0.27	--	--
Jun	--	0.24	--	0.25A	--	0.32	--	--
Sep	--	(0.02)	--	0.49A	--	0.35	--	--
Dec	--	0.11	--	0.29	--	0.38	--	--
FY Dec	--	0.44	--	1.09	--	1.31	--	1.62
FY P/EPS Non-GAAP		50.1x		20.2x		16.8x		13.6x

Financial Summary	
Book Value (MM):	$804.7
Net Debt (MM):	$931.9
Long-Term Debt (MM):	$981.2
Cash & ST Invest. (MM):	$49.3
Backlog:	2,107

Market Data	
52 Week Range:	$22.94 - $18.47
Total Entprs. Value (MM):	$2,279.8
Market Cap. (MM):	$1,347.9
Shares Out. (MM):	61.1
Float (MM):	19.5
Avg. Daily Vol.:	NA

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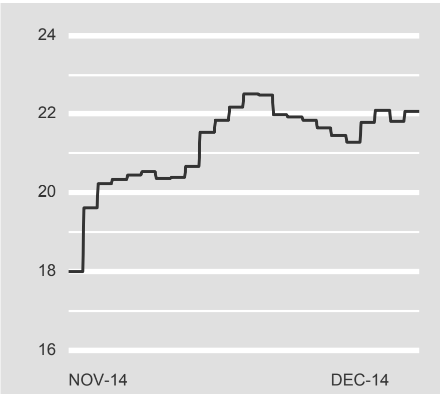
Price Performance



PRA Health Sciences, Inc. (PRAH): Vendor of Choice for the Small- to Mid-Tier Biopharmas

Buy: $27.00 Price Target

Scenarios

Target Investment Thesis

- BtB remains in the 1.15-1.20x range throughout 2015
- Revenue grows 8-9% driven by wins across both businesses
- Cost saving initiatives and operating leverage drive EBITDA margin >15%
- Aggressive debt repayment ($25M/qtr.) continues to drive lower interest expense
- 2016 EPS: $1.62; Target Multiple: 16.7x; Target Price $27.00

Upside Scenario

- 'Strategic' partnerships are signed; BtB exceeds 1.20x
- Cross-selling accelerates; revenue grows >10% as a result
- EBITDA margin improves to mid-15% range on fixed leverage and cost control
- Debt repayment continues $25M/qtr.
- 2016 EPS: $1.75; Target Multiple: 19x; Target Price $33.00

Downside Scenario

- Cross-selling fails to gain traction; BTB is sub-1.10x
- Ramping of projects is slow; consolidated revenue growth slows to sub-6%
- Slower revenue growth limits margin improvements; costs tightly controlled to mitigate impact
- Debt repayment continues $25M/qtr.
- 2016 EPS: $1.50; Target Multiple: 12.3x Target Price: $18.50

Long Term Analysis

1 Year Forward P/E

Not Available

Source: FactSet and Jefferies LLC

Long Term Financial Model Drivers

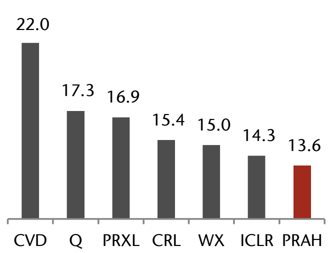
LT EPS CAGR	**19-20%**
Revenue Growth	**7-9%**
Operating Margin	**14-15%**
Effective Tax Rate	**30%**
Leverage Ratio	**<2.5x**

Other Considerations

PRA has been the vendor of choice for mid-tier sponsors, putting it in the 'sweet spot' when it comes to capitalizing on the next wave of strategic deals. Faster revenue growth and a longer margin runway make it one of the more compelling growth stories across the group. Its leverage ratio is high, but the free cash spigot is wide open, most of which will be used to repay debt.

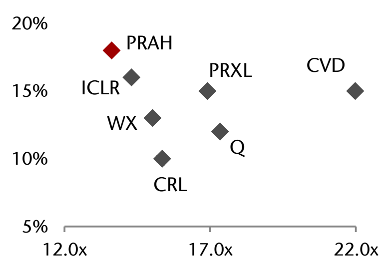
Peer Group

Group 2016 P/Es



Source: FactSet and Jefferies estimates

Earnings Growth vs P/E



Source: FactSet and Jefferies estimates

Recommendation / Price Target

Ticker	Rec.	PT
CRL	BUY	$75.00
CVD	HOLD	$104.00
ICLR	BUY	$66.00
PRAH	**BUY**	**$27.00**
PRXL	HOLD	$57.00
Q	HOLD	$59.50
WX	HOLD	$38.00

Catalysts

- Signing of additional 'strategic' agreements
- More success with cross-selling initiatives
- Continued margin improvement
- Growth in pharma R&D budgets and/or the amount of clinical work being outsourced

Company Description

PRA Health Sciences is a leading global contract research organization. The company provides outsourced clinical development services to the biotechnology and pharmaceutical industries. PRA's global clinical development platform spans 80 countries and employs more than 10,000 individuals worldwide. Since 2000, the company has performed approximately 2,300 clinical trials worldwide and has worked on more than 100 marketed drugs across several therapeutic areas.

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Executive Summary

PRA is a leading late-stage (Ph I-IV) global CRO, providing both project-based and functional service solutions. Its recent combination with RPS diluted margin and increased leverage, but also brings a significant cross-selling opportunity. PRA's seasoned management team is among the best in our coverage list and hails from a culture of industry-leading margins. Its combination of 7-9% sustainable revenue growth, long margin runway and rapid de-levering should drive LT earning growth in the 17-19% range.

Likely Beneficiary of Next Wave of Strategic Deals. Our diligence on the space—done through surveys and channel checks—shows the strategic deal mix is beginning to shift toward small and mid-tier sponsors. Those sponsors are less likely to use the largest CROs, opting instead to partner with a similarly sized vendor. PRA is smaller than Q, PRXL and ICLR, but can still provide a broad range of capabilities and truly global footprint. This puts it in the 'sweet spot' for the next wave of deals.

Cross-Selling Initiatives Now Under Way. Historically, PRA was the vendor of choice for small- to mid-size biopharma, and RPS primarily served larger sponsors. Thus, there was little client overlap when the two firms combined. Now that the bulk of the integration work is complete, management has begun a more aggressive cross-selling effort, one that has already resulted in a significant early win. We expect more will follow.

Lots of Margin Runway Left. Consolidated (adjusted) EBITDA margin is currently 14.0%; management is targeting 16-19% in the next three years. It has many levers to pull to get it there, some of which are already in motion. A few of the larger opportunities include: (1) winding down mispriced 'project' and 'local FSP' contracts put in place by the previous RPS management team; (2) additional facility consolidation and collapsing legal entities; and (3) offshoring clinical programming and other support functions to China and India. Notably, achieving the top-end of this range would require some contribution from PRA's IT initiative, "Project P."

Management Has Heritage of Industry-Leading Financial Performance. PRA is led by CEO Colin Shannon and CFO Linda Baddour. Both joined the company in 2007, coming directly from PPD. During their long tenure at PPD—Mr. Shannon as head of global clinical ops and Ms. Baddour as CFO—the firm earned a reputation for top-notch work, and industry-leading margins. This culture has now proliferated throughout PRA, elevating its profile as one of the premier global CROs.

Valuation

We look at valuation in four different ways. First, using peer P/E multiples, we assume PRA trades in line with its late-stage CRO peers. This implies a value of $26.00. Second, we look at discounted cash flows forecasted for 5-yrs with a terminal EBIT multiple equal to its current. That yields $28.00. Third, we develop a range of EPS growth estimates for PRAH. Starting with midpoint (18%), we apply a peer average PEG ratio. That yields $27.00. Finally, we assume PRAH's EV/EBITDA (which is one-turn premium to its peers) multiple rolls forward on 13-14% EBITDA growth and ~$100M of debt repayment. This implies a $28.00 price target. Taking an average of the four, we arrive at a price target of $27.00.

Risks

Primary risks include: (1) the loss (or cancellation) of a large client and/or project; (2) difficulties encountered during the integration of recent acquisitions; (3) delays in the development of Project P; and (4) regulatory issues.

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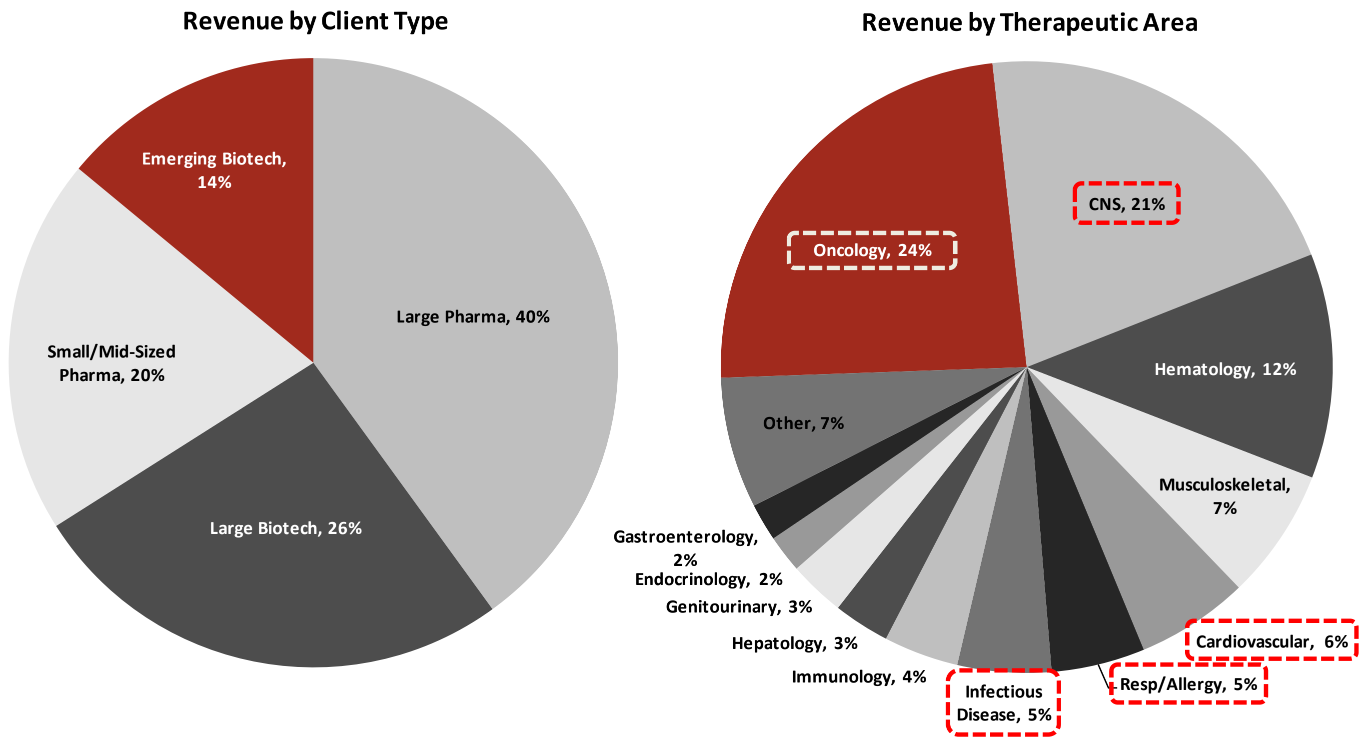
Investment Highlights

Favorable Customer Mix... Historically, PRA has been the partner-of-choice for small- to mid-size biopharmas, and specialized in traditional, project-based late-stage clinical trial work. Some of PRA's larger clients include Shire, Gilead, Genentech, Novartis, UCB, Eisai, Cephalon, AstraZeneca, and Biogen. Notably, a total of 40% of its revenue is derived from the fast-growing biotech space, a mix that is far greater than any of its public peers—*see Chart 1*.

...Makes PRA a Likely Beneficiary of Next Wave of Strategic Deals. Our diligence on the space—done through surveys and channel checks—shows the strategic deal mix is beginning to shift toward small and mid-tier sponsors. Those sponsors are less likely to use the largest CROs, opting instead to partner with a similarly sized vendor. PRA is smaller than Q, PRXL and ICLR, but can still provide a broad range of capabilities and truly global footprint. PRA's close relationships with clients in this part of the market put it in the 'sweet spot' for the next wave of deals.

Chart 1: Revenue by Client Type and Therapeutic Area



The circled therapeutic areas in the figure above are considered to be a core area of expertise for PRA

Source: Company Data and Jefferies LLC

Cross-Selling Benefits Should Begin to Accrue. Owing to the historical differences in client focus, management believes a sizeable cross-selling opportunity now exists between its legacy PRA business and the newly acquired RPS. As stated above, PRA tended to attract mid-tier biopharmas, while RPS's clients were largely top-tier pharma. Now that the bulk of the integration work is complete, management has begun a more aggressive cross-selling effort.

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Early successes have already been achieved on this front. One notable win involves a previous RPS client (a large pharma company) that had acquired a small biotech for which PRA had been doing some work. This particular client—being "impressed with 'Project P'"—decided to place some more traditional, project-based work with PRA. We expect more wins like this will follow.

Long Margin Runway. The company will close 2014 with a consolidated (adjusted) EBITDA margin of 14.0%. If RPS is near 11% currently, this implies 'core' PRA is sitting around 15-16%. Within the next three years, management expects to be in the 16-19% range, consolidated. If RPS can get to the mid-teens (based on what we discussed above), that means 'core' PRA would have to climb into the 20-21% range. The company believes it can get there by (1) offshoring its clinical programming work to China and India (this initiative is currently under way, but the benefits have yet to accrue); (2) reengineering its clinical informatics platform (led by newly hired Paul Bunch); and (3) operating leverage on SG&A. Notably, achieving the top-end of management's LT consolidated range would require some contribution from Project P.

"Project P" Could Drive LT Margin Upside. Several years ago, PRA began development work on a proprietary, cloud-based IT platform that will integrate all aspects of its business. The end goal being the execution of more efficient trials—from bid through completion—by streamlining information flow throughout its entire enterprise. The launch is expected in mid-2015, and should bring with it significant margin enhancement. We believe enough to get PRA to the high-end of its aforementioned LT margin target (16-19%).

The three primary components of the new platform are: (1) study start-up; (2) project management; and (3) data management. The project has largely been divided into two parts. The first step was a complete overhaul of the company's core systems, similar to the IT initiative Covance recently completed. This involves retooling all of PRA's core systems to enable more seamless data flow throughout the organization. The second step involves the development of the more advanced analytical modules that will sit on top of the revamped core and all both PRA and clients to make more informed trial-related decisions.

Much of the project management functionality is already operating while the more advanced modules are still being programed. PRA has chosen Force.com as its backbone. Notably, while much of the core development work is being done internally, the company still plans to utilize third-party vendors to supplement functionality where appropriate. Again, management is expecting to complete the project in mid-2015.

Management Has Heritage of Industry-Leading Financial Performance. PRA is led by CEO Colin Shannon and CFO Linda Baddour. Both joined the company in 2007, coming directly from PPD. During their long tenure at PPD—Mr. Shannon as head of global clinical ops and Ms. Baddour as CFO—the firm earned a reputation for top-notch work, and industry-leading margins. This culture has now proliferated throughout PRA, elevating its profile as one of the premier global CROs.

Pace of Acquisition Likely Slows... Historically, PRA tended to develop all of its capabilities internally. However, in the months leading up to (and following) its acquisition by KKR, it made several acquisitions. Additionally, it also formed a JV with WuXi AppTec. Despite this recent M&A flurry, we expect management's NT focus will return to efficiency initiatives and debt repayment. That is not to say PRA will remain out of the M&A market if the right deal comes along, we just expect it will be less aggressive than some of its other late-stage peers.

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...Free Cash Flow, Debt Repayment. We (conservatively) estimate PRA will generate somewhere in the neighborhood of $85M in free cash in 2015, representing a >6% FCF yield. This likely grows to $105M in 2016. Beginning in 2015, management plans to repay $25M of debt each quarter.

Evolution to PRA Health Sciences

KKR's $1.3B acquisition of PRA from Genstar Capital closed on September 24, 2013. At the same time, KKR also completed its $274M acquisition of RPS from Warburg Pincus. The two companies (PRA and RPS) were then merged.

Historically, PRA has been the partner-of-choice for small- to mid-size biopharmas, and specialized in traditional, project-based late-stage clinical trial work. Several of its senior managers hail from PPD, bringing with them a culture for industry-leading margins. RPS brought to the table its expertise as a functional service provider and a client list of top-tier pharma with little overlap with PRA. However, it also brought a bloated cost structure and some mispriced legacy business.

The organization resulting from the merger, PRA Health Sciences, features a somewhat unique set of offerings (project-based and embedded solutions), a significant cross-selling opportunity, ample amounts of margin runway (both cost savings and operating leverage), and strong free cash generation, most of which will be used to quickly de-lever its balance sheet.

RPS, In a Nutshell. Historically, RPS was a functional service provider to large pharma. Dating back, some of its bigger clients included:

- **Novartis** – our understanding is RPS was being used within all of its sub-companies, primarily for study management, monitoring, and medical writing.
- **Merck** – was concurrently running two models: embedded (70% of clinical spend) and outsourced (the remaining 30%). Merck hired RPS for data management, safety, and site management.
- **Sanofi** – the embedded model was used globally, except for Europe, which was awarded to CVD.
- **Johnson and Johnson –** RPS was hired to rescue a study that was being run by a publicly-traded CRO.
- **Pfizer –** RPS *was* regularly used by Pfizer prior to its transition to the alliance partner model.

However, beginning in January 2012, the previous management team rolled out a new model with the intention of expanding into mid-size pharma. RPS expanded rapidly in the U.S. (growing >30%) by signing more deals with mid-size pharma companies. At the same time, the company was making a concerted push abroad, primarily into Europe.

Both strategies were margin-dilutive—selling to small regional sponsors meant low-priced programs, and much of the foreign business was more of the 'local FSP' style, but priced too low. Given the small size and simple nature of these projects, competition for this work was more intense. Further, to support this rapid expansion, RPS was forced to bring on a significant number of contract workers, which cost ~50% more than the comparable full-time employee (FTE). This also contributed to the margin pressure. By the time of its acquisition (Sept '13), we believe EBITDA margins were sub-6%.

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During the 14-months post-acquisition, PRAH rebranded the FSP business as “Strategic Solutions” and has made considerable progress driving efficiencies in the gross margin line by rationalizing some infrastructure and winding down both RPS ‘project’ and ‘local FSP’ work. This has brought adjusted EBITDA margins up to the ~11% level currently.

PRA’s sights are set on achieving the mid-teens within the next several years. The levers it intends on pulling to do this include (1) completing the wind-down of the ‘project’ and ‘local FSP’ work; (2) consolidating facilities (an incremental $1-2M in expected savings), (3) collapsing legal entities (another $2M of savings); (4) winning more hybrid contracts that involve the paring of FSP work with IT systems; and (5) optimizing value by better managing the trade-off between productivity and experience/salary rates.

Financial Outlook

2015

We are modeling adjusted EPS of $1.31, or 19.9% growth. The primary drivers are: 7.8% organic revenue growth, 50 bps of EBITDA margin expansion (to 14.5%), a $21M (or 27.5%) reduction in net interest expense, and a 34.1% increase in shares outstanding.

Notably, in an effort to make valuations comparable across the group, our definition of adjusted EBITDA and EPS differ from that of management’s in three key areas: we include stock-based comp, the income statement impact from FOREX, and deferred rent expenses.

After making these adjustments, our revenue and EBITDA estimates are roughly in line with the guidance management has provided. *See below for details.*

Revenue Growth Expected in the High Singles… We are modeling ’15 revenue growth of 7.8%, which compares to our *organic* ’14 projection of 10.5%. Underlying assumptions for ’15 include a Book-to-Bill (BtB) of 1.18x and a quarterly backlog conversion rate in the 15.0-15.3% range—both of which are consistent with PRA’s historical averages. The primary driver of the slowing growth in ’15 is management tapping the brakes on selling RPS into small regional sponsors for low-priced projects. This is an appropriate move given PRA already has a franchise here, whereas RPS was trying to build and expand.

It is worth pointing out BtB for Strategic Solutions (i.e., RPS) should run about 1.05-1.10x, assuming forward projections reflect 5-10% revenue growth. To achieve this, investors should think of SS winning about one sizable new client a year. With that business representing about 1/3 of total, the traditional, project-based business is expected to achieve >1.20 to drive a consolidated total in the 1.15-1.20x range.

…Synergies, Cost Control, and Operating Leverage Will Add to Margin. We are modeling 50 bps of EBITDA margin expansion (to 14.5%). The primary drivers being: (1) a 50 bps improvement in gross margin as PRA continues to convert RPS contract workers to FTEs; (2) a 20 bps reduction in SG&A (to 17.9%) as dollars grow, but strong cost control keeps the pace of growth slower than that of revenue; and (3) a 20 bps lower benefit from FOREX—we are modeling zero FOREX benefit in 2015 vs. $1.6M in 2014.

Debt Repayment Will Significantly Reduce Interest Expense. Our model assumes $270M of the IPO proceeds are used to repay debt—$150M allocated to the 9.50% senior notes, and $120M to the 5.00% senior secured term loan. These payments will likely be made in 4Q14, so ’15 will get a full years’ worth of benefit. Then, over the course of ‘15, we anticipate PRA will repay an additional $100M of the senior secured loan using cash from ops. The combination of these two actions should generate $21.8M of interest

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savings in 2015, or an estimated $0.25 of EPS. This would have PRA exiting the year with a leverage ratio in the neighborhood of 4.5x.

2016

For 2016, we are forecasting adjusted EPS of $1.62, or 23.4% growth. The primary drivers are: 9.1% organic revenue growth, 60 bps of EBITDA margin expansion (to 15.1%), a $4.9M (or 8.8%) reduction in net interest expense, and a 0.9% increase in shares outstanding.

Cross-Selling Contribution Expected to Grow... For 2016, we are projecting a small acceleration in revenue growth (to 9.1%, from 7.8%) as the benefit of cross-selling begins to take hold. We are also expecting a benefit from a richer mix of studies within RPS as previous engagements (signed under the former management team) continue to wind down.

...Accompanied by More Operating Margin Leverage. Gross margin should continue to improve as efficiency initiatives are completed. We are modeling 30 bps of expansion, to 32.7%. We are also modeling 30 bps of operating leverage coming from the SG&A line.

Debt Repayment Expected to Continue. We are modeling an additional $100M in debt repayment over the course of the year ($25M/qtr.), generating an incremental $4.9M (or 8.8%) in interest savings. This would have PRA exiting the year with a leverage ratio in the neighborhood of 3.5x. Notably, we do not include contribution from unannounced acquisitions in our model.

Management Guidance

2015

For 2015, management is targeting revenue of ~$1,366M (8.0% growth), adjusted EBITDA of ~$202M (12.3% growth), and adjusted net income of ~$91M (64.8% growth).

Again, our estimates differ from management's guidance based on our decision to include stock-based compensation, income statement FOREX gains/losses, and deferred rent.

2016

For 2016, management is targeting revenue of ~$1,472M (7.8% growth), adjusted EBITDA of ~$224M (11.0% growth), and adjusted net income of ~$111M (22.2% growth).

Longer-Term

The company expects to achieve 16-19% EBITDA margin over three years (from 14.0% in 2014), which implies 70-170 bps of expansion per year. Further, management believes getting to the mid-teens will be done pretty easily, and soon, driven primarily by the wind-down of mispriced 'project' and 'local FSP' contracts signed under the previous RPS management team. Achieving the top-end of that range will require some help from "Project P.

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Valuation

We look at valuation in four different ways. First, using peer P/E multiples, we assume PRA trades in line with its late-stage CRO peers. This implies a value of $26.00. Second, we look at discounted cash flows forecasted for 5-yrs with a terminal EBIT multiple equal to its current. That yields $28.00. Third, we develop a range of EPS growth estimates for PRAH. Starting with midpoint (18%), we apply a peer average PEG ratio. That yields $27.00. Finally, we assume PRAH's EV/EBITDA multiple rolls forward on 13-14% EBITDA growth and ~$100M of debt repayment. This implies a $28.00 price target.

Taking an average of the four, we arrive at a price target of $27.00.

P/E Trading Comparables

The average '16 P/E multiple across the late-stage CROs is 16.2x—*see Chart 2.* Assuming PRA trades in line with this average (using our '16 estimate) implies a value of $26.00.

Notably, our EPS estimate for peer-comparison purposes varies slightly from the one management reports. Our version, which we refer to as "Comparable EPS" in our model, includes both stock-based comp, FOREX and a non-cash rent adjustment. We believe this calculation more closely resembles the way the other late-stage CROs present results.

Chart 2: Peer Trading Multiples

Ticker	Company	12/05/14 Price	Rating	Price Target	MCap ($M)	EV / EBITDA 2015	EV / EBITDA 2016	P / E 2015	P / E 2016	LT EPS Growth	PEG
Q	Quintiles Transnational Holdings, Inc.	$ 57.37	HOLD	$ 59.50	$ 7,494	11.5x	10.6x	19.2x	17.3x	12%	1.45x
PRXL	PAREXEL International Corporation	57.18	HOLD	57.00	3,188	9.8x	8.7x	20.3x	16.9x	15%	1.13x
ICLR	ICON Plc	52.94	BUY	66.00	3,359	10.3x	9.2x	16.2x	14.3x	16%	0.89x
PRAH	**PRA Health Sciences, Inc.**	**$ 22.06**	**BUY**	**$ 27.00**	**$ 1,348**	**12.9x**	**11.3x**	**16.8x**	**13.6x**	**18%**	**0.76x**
AVERAGE						**10.5x**	**9.5x**	**18.6x**	**16.2x**	**14%**	**1.16x**
MEDIAN						**10.3x**	**9.2x**	**19.2x**	**16.9x**	**15%**	**1.13x**

Source: Company Data, FactSet and Jefferies LLC

Discounted Cash Flow

Our discount cash flow model forecasts five years of free cash flows then assumes a terminal EBIT multiple of 13.9x, equal to its current—*see Chart 3*. Notably, PRA does not expect to be a cash tax payer until sometime in 2017. This results in a target of $28.00.

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Chart 3: Discounted Cash Flow Analysis

		2015E	2016E	2017E	2018E	2019E
PRA EBIT		$ 112,547	$ 146,849	$ 180,675	$ 209,597	$ 237,309
Less: cash taxes	30%	-	-	(54,203)	(62,879)	(71,193)
After-tax EBIT		112,547	146,849	126,473	146,718	166,117
Plus: D&A		85,080	77,684	71,309	67,309	63,609
Plus: Stock-based comp		3,846	4,230	4,653	5,118	5,630
Plus: Changes in w orking cap		5,010	5,158	4,944	4,428	3,955
Less: Capital expenditures		(32,500)	(35,500)	(38,500)	(41,500)	(44,500)
Total after-tax cash flow		**$ 173,984**	**$ 198,422**	**$ 168,879**	**$ 182,074**	**$ 194,811**

Cost of Capital Calculation	
Beta	1.20
Market premium	5.5%
Risk-free rate	3.5%
Equity cost of capital	10.1%
Debt cost of capital	6.5%
Target debt to capitalization	25%
Tax rate	30%

Wtd average cost of capital (WACC) = 8.71%

Terminal EBIT multiple = 13.86x

PRA International Valuation Sensitivity Table

Current net cash/(debt) (768,045) **

Current total equity value

$1,728,796	11.9x	12.9x	13.9x	14.9x	15.9x
7.7%	1,563,063	1,697,443	1,831,822	1,966,202	2,100,582
8.2%	1,516,834	1,648,138	1,779,441	1,910,745	2,042,048
8.7%	1,471,806	1,600,118	1,728,429	1,856,741	1,985,053
9.2%	1,427,942	1,553,343	1,678,745	1,804,146	1,929,547
9.7%	1,385,206	1,507,776	1,630,345	1,752,915	1,875,484

Total PRA shares outstanding 61,105

Per share valuation

Terminal multiple

$28.29	11.9x	12.9x	13.9x	14.9x	15.9x
7.7%	$25.58	$27.78	$29.98	$32.18	**$34.38**
8.2%	$24.82	$26.97	$29.12	$31.27	$33.42
8.7%	$24.09	$26.19	**$28.29**	$30.39	$32.49
9.2%	$23.37	$25.42	$27.47	$29.53	$31.58
9.7%	**$22.67**	$24.68	$26.68	$28.69	$30.69

Source: Company Data and Jefferies LLC

Long-Term EPS Growth

Our bear/bull sensitivity analysis of five-year EPS growth CAGRs yielded outcomes ranging from 14-21%—*see Chart 4.* Both this range and our 18% base-case scenario exclude any benefit from future acquisitions. They do, however, both assume aggressive debt repayment.

Using our 18% base-case scenario, we apply a 1.15x PEG (in line with peer average), which implies a valuation of 20.7x our CY15 EPS estimate, or $27.00.

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Chart 4: PRA Health Sciences Long-Term EPS Growth Model

($000, except EPS)	2012	2013	2014E	2015E	2016E	5-Year Adjusted EPS CAGR Sensitivity Model Bear	←	2020E	→	Bull
Total Revenue	**$ 597,072**	**$ 832,901**	**$ 1,265,812**	**$ 1,364,317**	**$ 1,488,568**	**$1,914,993**	**$1,951,209**	**$1,987,937**	**$2,025,181**	**$2,101,236**
YoY growth	na	39.5%	52.0%	7.8%	9.1%	6.5%	7.0%	7.5%	8.0%	9.0%
Direct costs	358,572	526,878	862,283	922,495	1,002,066	1,292,620	1,307,310	1,321,978	1,336,619	1,376,309
Gross margin	39.9%	36.7%	31.9%	32.4%	32.7%	32.5%	33.0%	33.5%	34.0%	34.5%
SG&A (incl. stock comp)	153,927	200,689	228,486	244,195	261,968	338,954	341,462	337,949	346,306	357,210
% revenue	25.8%	24.1%	18.1%	17.9%	17.6%	17.7%	17.5%	17.0%	17.1%	17.0%
FOREX	7,841	7,758	(1,559)	-	-	-	-	-	-	-
% revenue	1.3%	0.9%	-0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Adjusted EBITDA	**76,732**	**97,576**	**176,602**	**197,628**	**224,534**	**283,419**	**302,437**	**328,010**	**342,256**	**367,716**
% revenue	12.9%	11.7%	14.0%	14.5%	15.1%	14.8%	15.5%	16.5%	16.9%	17.5%
Depreciation	15,041	18,053	23,014	26,860	30,260	34,725	35,400	36,086	36,782	38,203
Operating Income	61,691	79,523	153,588	170,767	194,273	248,694	267,037	291,923	305,474	329,513
% revenue	10.3%	9.5%	12.1%	12.5%	13.1%	13.0%	13.7%	14.7%	15.1%	15.7%
Interest expense	32,823	54,806	76,262	55,300	50,413	23,788	23,663	23,538	23,413	23,163
Other income	183	650	(981)	-	-	-	-	-	-	-
Income tax	8,715	7,610	26,086	34,640	43,158	67,472	73,012	80,516	84,618	91,905
Tax rate	30.0%	30.0%	34.2%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
Adjusted net income	20,336	17,757	50,258	80,827	100,702	157,434	170,362	187,870	197,442	214,445
% revenue	3.4%	2.1%	4.0%	5.9%	6.8%	8.2%	8.7%	9.5%	9.7%	10.2%
Shares out	40,286	40,286	45,912	61,589	62,172	63,298	63,298	63,298	63,298	63,298
Adjusted EPS	**$ 0.50**	**$ 0.44**	**$ 1.09**	**$ 1.31**	**$ 1.62**	**$ 2.49**	**$ 2.69**	**$ 2.97**	**$ 3.12**	**$ 3.39**
5-yr CAGR						**14%**	**15%**	**18%**	**19%**	**21%**

Source: Company Data and Jefferies LLC

EBITDA Growth and Debt Repayment

We believe PRA will appreciate 28-29% this year as its EV/EBITDA valuation rolls forward on 13-14% EBITDA growth and ~$100M of debt repayment—*see Chart 5*. These assumptions imply a $28.00 price target.

Chart 5: EBITDA Growth & Debt Repayment

(000s)	2015E	2016E	*Growth*
Adj EBITDA	$ 197,628	$ 224,534	*13.6%*
Net debt	768,045	663,195	*(13.7%)*
Shares	61,589	62,172	*0.9%*
Multiple	10.8x	10.8x	
Implied Price	$ 22.06	$ 28.20	*27.8%*

Source: Company Data and Jefferies LLC

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Offering Summary

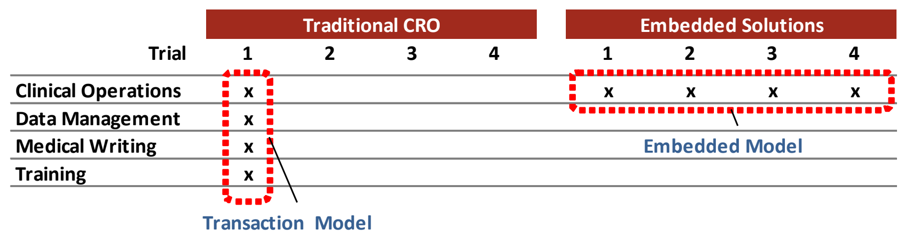
Jefferies acted as Lead Left Bookrunner on PRA Health Sciences IPO. 17.0M shares priced November 12 at $18.00, below the low end of its $20-23 range. 61.1M fully-diluted shares are now outstanding, ~70% of which are still owned by the company's private equity sponsor, KKR. Through the transaction, PRAH raised $306M. All of the net proceeds were used to repay debt. The deal also included a 15% overallotment, which has not yet closed.

Company Description

PRA is a leading contract research organization, offering global scale and a portfolio of service capabilities that span the entire clinical development process. The company currently employs ~10,200 individuals spread across 80 countries and historically has been the partner of choice for small- to mid-size biopharma.

Similar to peers, PRA offers both traditional, project-based services as well as embedded services. Traditional, project-based services are what investors are used to when thinking about late-stage clinical CRO work. These types of engagements involve sponsors handing off the day-to-day management of running a clinical trial to the CRO. Embedded Services is more akin to a staffing model. In these engagements the sponsor maintains control of the trial, but supplements its workforce with PRA employees—*see Chart 6.*

Chart 6: Traditional Project-Based Services vs. Embedded Services



Source: Company Data and Jefferies LLC

Prior to its acquisition by KKR, PRA preferred to develop all of its capabilities internally. The two exceptions being (1) a JV it formed with WuXi AppTec in December 2012. This gave PRA a footprint in China. (2) PRA purchased ClinStar for $45M on February 28, 2013, which added operations in Eastern Europe.

Following the KKR acquisition, the company has continued to lean on M&A to build out its portfolio. To start, concurrent with the KKR acquisition, PRA was combined with RPS. KKR paid $274M for the embedded service provider. The deal closed September 23, 2013. Secondly, on December 2, 2013, PRA paid $77.1M in cash for early-stage CRO, CRI Lifetree. This last acquisition also brought with it expertise in human abuse liability.

Unlike many of its late-stage peers, PRA's client concentration remains very diverse. Its top-5 clients account for only 30% of its revenue, with no single client comprising more than 10%, and no single project more than 2%.

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Risks

Project Delays/Cancellations

PRA would be negatively affected by delays and/or cancellations of trials or programs it has been awarded. These can come as a result of (1) poor execution by PRA; or (2) the drug being studied failing to meet its clinical end-points--the latter lying outside of PRA's control. That said, unlike many of its late-stage peers, PRA's concentration remains very diverse. No single project currently accounts for more than 2% of its annual revenue.

Client Losses

PRA would also be negatively affected by the loss of a client. The events that would result in a client loss are similar to those discussed above involving project delays and cancellations. Again, PRA's concentration remains very diverse. Its top-5 clients account for only 30% of its revenue, with no single client comprising more than 10%.

Integration Problems

The company has been fairly active on the M&A front over the past couple of years, purchasing three companies and forming one JV. Significant progress has been made integrating and turning around its largest acquisition (RPS), but more work remains. Our earnings estimates could be adversely affected.

Delay or Failure of "Project P"

The company is investing a large amount of money and resources in the development of a proprietary, integrated, cloud-based IT platform. If successful, this system would help differentiate PRA from peers and bring significant margin enhancement. However, projects such as these are complex and often experience delays. Notably, we are not assuming any contribution from Project P in our 2015/2016 estimates, but believe significant delays or a failure would negatively impact our LT margin outlook.

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Management

Colin Shannon — President, CEO and Director of PRA. Mr. Shannon joined PRA is 2007, initially as President and COO. He was elevated to the role of CEO in 2010. Prior to joining PRA, Mr. Shannon was EVP of Global Clinical Operations at Pharmaceutical Product Development, Inc. (PPD) where he oversaw clinical, biostatistics and data management operations worldwide. During his 12-year association with PPD, he held various leadership roles including COO for the company's European division and Chief Financial and Administration Officer for Europe and the Pacific Rim. Mr. Shannon earned his MBA from London's City University and is board certified by the Chartered Association of Certified Accountants.

Linda Baddour — EVP and CFO. Ms. Baddour also joined PRA in 2007. From 2002 to 2007, she was CFO at Pharmaceutical Product Development, Inc. (PPD). During her tenure as PPD's CFO, the company posted greater than 20% annual revenue growth and industry-leading margins, while consistently meeting revenue and earnings targets. Ms. Baddour also managed M&A and information technology. Ms. Baddour earned her MBA from the University of North Carolina at Wilmington and is also a CPA.

Paul Bunch, Ph.D., PMP — EVP of Operations. Dr. Bunch is responsible for driving operational delivery and overall client satisfaction while also focusing on continuous process improvement and change initiatives to support PRA's continued growth. He brings 25 years of industry experience to PRA. Prior to joining PRA, Dr. Bunch served as VP of Global Project Management at CSL Behring. He also served in executive leadership roles at Covance, Merck and Eli Lilly. He received his B.Sc. and Ph.D. in Chemical Engineering from Purdue University.

Harris Koffer —President of Strategic Solutions. Prior to joining PRA, Dr. Koffer served in several roles at RPS including CEO, President and COO. He also served as VP, Clinical Trials and Pharmaceutical Business Development for Quest Diagnostics and VP and General Manager of Covance Clinical Services and President of Covance Periapproval Services. He earned both a BS in Pharmacy and doctorate of Pharmacy from the Philadelphia College of Pharmacy and Science (now known as the University of the Sciences in Philadelphia) and completed a fellowship in Clinical Pharmacology at Thomas Jefferson University Hospital in Philadelphia, PA, USA.

David W. Dockhorn, Ph.D. —EVP and Compliance Officer. Dr. Dockhorn joined PRA in 1997 and is currently responsible for the following global departments: Regulatory Affairs, Quality Assurance, the Project Management Office and Process Management. Prior to this role, he served as PRA's EVP Product Registration—the Americas. Before that, he held several senior leadership positions, including VP of Operations and Regional Director of the Lenexa, KS, operations. Before joining PRA, Dr. Dockhorn worked for International Medical Technical Consultants, Inc., a Clinical Research Organization acquired by PRA in 1997. Dr. Dockhorn received his Ph.D. in neuroscience from Texas Tech University.

Andrew Strayer, Pharm.D. —EVP of Product Registration, the Americas. He joined PRA in May 2011 as SVP of Operations. Before joining PRA, Dr. Strayer was VP of Clinical Operations for both Gloucester Pharmaceuticals and Naryx Pharma. Before that, he spent 11 years at PPD where his last position was SVP of Clinical Operations for the Americas and Asia. Dr. Strayer received both his B.S. and Pharm.D. from the University of Kansas School of Pharmacy and completed a post-doctoral fellowship in infectious disease at the University of Rhode Island College of Pharmacy and Roger Williams Medical Center.

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Chart 7: CRO Comp Table

Ticker	Company	12/05/14 Price	Rating	Price Target	Upside to PT	PT / '15 EPS	52 Week Range Low	52 Week Range High	Debt/ EBITDA	FCF Yield	MCap ($000)	EV ($000)	Avg Day Volume	LT EPS Growth	PEG	Short % Shs Out	Dividend Yield	FYE	Earnings Date (Est.)
Q	Quintiles Transnational Holdings, Inc.	$ 57.37	HOLD	$ 59.50	3.7%	18.0x	$ 41.64	$ 60.71	2.0x	5.8%	$ 7,494,014	$ 8,888,737	723,299	12%	1.45x	1.9%	-	Dec	02/12/2015
CVD	Covance Inc.	103.22	HOLD	104.00	0.8%	22.1x	73.57	106.50	0.0x	4.1%	5,895,885	5,441,063	1,007,439	15%	1.47x	1.8%	-	Dec	01/28/2015
WST	West Pharmaceutical Services, Inc.	53.94	HOLD	48.00	(11.0%)	20.4x	39.11	53.98	0.3x	1.1%	3,916,044	4,011,944	306,032	15%	1.53x	3.0%	1.4%	Dec	02/19/2015
CTLT	Catalent Inc	29.16	BUY	28.50	(2.3%)	19.0x	19.30	29.52	4.1x	5.7%	3,592,512	5,346,012	650,270	11%	1.77x	1.0%	-	Jun	TBD
ICLR	ICON Plc	52.94	BUY	66.00	24.7%	17.8x	35.33	59.81	0.0x	6.2%	3,358,652	3,110,040	585,578	16%	0.89x	2.4%	-	Dec	02/26/2015
PRXL	PAREXEL International Corporation	57.18	HOLD	57.00	(0.3%)	16.8x	40.18	64.72	0.3x	4.2%	3,188,471	3,274,255	737,130	15%	1.13x	7.9%	-	Jun	01/26/2015
CRL	Charles River Laboratories International	63.91	BUY	75.00	17.4%	18.0x	49.60	66.11	2.2x	7.8%	2,995,956	3,634,056	381,973	10%	1.54x	3.9%	-	Dec	02/10/2015
WX	Wuxi PharmaTech (Cayman) Inc. Sponsor	35.84	HOLD	38.00	6.0%	15.9x	29.84	40.72	0.0x	2.3%	2,547,920	2,302,478	324,685	13%	1.16x	0.8%	-	Dec	03/05/2015
PRAH	PRA Health Sciences, Inc.	22.06	BUY	27.00	22.4%	16.7x	18.47	22.94	6.8x	6.2%	1,347,982	2,541,507	695,480	18%	0.76x	0.0%	-	Dec	TBD

Ticker	Company	EV / Revenue 2014	EV / Revenue 2015	EV / Revenue 2016	EV / EBITDA 2014	EV / EBITDA 2015	EV / EBITDA 2016	P / E 2014	P / E 2015	P / E 2016	Revenue 2014	Revenue 2015	Revenue 2016	Adjusted EBITDA 2014	Adjusted EBITDA 2015	Adjusted EBITDA 2016	Adjusted EPS (non-GAAP) 2014	Adjusted EPS (non-GAAP) 2015	Adjusted EPS (non-GAAP) 2016
Q	Quintiles Transnational Holdings, Inc.	2.1x	2.0x	1.8x	12.6x	11.5x	10.6x	21.6x	19.2x	17.3x	$ 4,185,678	$ 4,540,931	$ 4,880,791	$ 704,988	$ 770,135	$ 837,667	$ 2.66	$ 2.98	$ 3.31
CVD	Covance Inc.	2.2x	2.0x	1.9x	12.4x	11.3x	10.5x	27.2x	24.0x	22.0x	2,516,242	2,670,709	2,791,365	438,274	479,878	516,180	3.79	4.31	4.70
WST	West Pharmaceutical Services, Inc.	2.8x	2.6x	2.5x	14.3x	12.8x	11.5x	29.8x	26.5x	22.9x	1,429,779	1,520,403	1,633,122	281,198	313,401	349,669	1.81	2.04	2.36
CTLT	Catalent Inc	2.9x	2.7x	2.5x	12.6x	11.8x	10.9x	23.8x	20.8x	19.5x	1,845,267	1,976,888	2,101,529	425,407	454,143	489,390	1.23	1.41	1.50
ICLR	ICON Plc	2.1x	1.9x	1.7x	12.0x	10.3x	9.2x	19.2x	16.2x	14.3x	1,508,651	1,677,173	1,820,051	259,561	302,013	338,184	2.76	3.26	3.70
PRXL	PAREXEL International Corporation	1.6x	1.5x	1.4x	10.9x	9.8x	8.7x	23.3x	20.3x	16.9x	1,995,719	2,138,009	2,299,910	299,805	335,286	377,361	2.46	2.82	3.38
CRL	Charles River Laboratories International	2.8x	2.6x	2.5x	12.4x	11.1x	10.3x	18.9x	17.0x	15.4x	1,289,944	1,387,978	1,449,107	293,005	326,987	354,442	3.39	3.75	4.16
WX	Wuxi PharmaTech (Cayman) Inc. Sponsor	3.4x	2.9x	2.6x	12.5x	10.8x	9.4x	19.3x	17.1x	15.0x	672,126	789,895	902,182	183,799	213,076	243,874	1.85	2.10	2.39
PRAH	PRA Health Sciences, Inc.	2.0x	1.9x	1.7x	14.4x	12.9x	11.3x	20.2x	16.8x	13.6x	1,265,812	1,364,317	1,488,568	176,602	197,628	224,534	1.09	1.31	1.62
Pharma Services Mean		**2.4x**	**2.2x**	**2.1x**	**12.7x**	**11.4x**	**10.3x**	**22.6x**	**19.8x**	**17.4x**									
Pharma Services Median		**2.2x**	**2.0x**	**1.9x**	**12.5x**	**11.3x**	**10.5x**	**21.6x**	**19.2x**	**16.9x**									

Source: Company Reports, FactSet and Jefferies LLC

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Chart 8: PRAH Earnings Model

($ in 000s, except for EPS)	Q1	Q2	Q3	Q4	2013	Q1	Q2	Q3	Q4	2014	Q1	Q2	Q3	Q4	2015	2016
Net revenue	$ 166,508	$ 179,463	$ 188,139	$ 298,791	$ 832,901	$ 311,352	$ 311,423	$ 320,063	$ 322,975	$ 1,265,812	$ 330,103	$ 337,394	$ 344,052	$ 352,768	$ 1,364,317	$ 1,488,568
										52.0%					*7.8%*	*9.1%*
Direct costs	100,181	106,072	115,548	205,077	526,878	215,151	213,378	215,746	218,008	862,283	226,458	229,486	230,196	236,355	922,495	1,002,066
SG&A	51,852	41,556	48,970	58,311	200,689	57,854	53,758	58,739	58,135	228,486	59,358	59,591	62,453	62,793	244,195	261,968
FOREX	(6,078)	1,819	7,355	4,662	7,758	3,712	5,387	(10,658)	-	(1,559)	-	-	-	-	-	-
Adj EBITDA	*20,553*	*30,016*	*16,266*	*30,741*	*97,576*	*34,635*	*38,900*	*56,236*	*46,831*	*176,602*	*44,287*	*48,317*	*51,402*	*53,621*	*197,628*	*224,534*
Depreciation	4,143	3,978	4,445	5,487	18,053	5,895	4,910	5,989	6,220	23,014	6,414	6,610	6,814	7,023	26,860	30,260
Total expenses	150,098	153,425	176,318	273,537	753,378	282,612	277,433	269,816	282,363	1,112,224	292,229	295,687	299,463	306,170	1,193,550	1,294,295
Adj EBITA	16,410	26,038	11,821	25,254	79,523	28,740	33,990	50,247	40,612	153,588	37,874	41,707	44,589	46,598	170,767	194,273
Interest income (expense)	(10,390)	(11,679)	(12,435)	(20,303)	(54,806)	(20,332)	(19,359)	(19,541)	(17,031)	(76,262)	(14,259)	(13,978)	(13,684)	(13,380)	(55,300)	(50,413)
Other income (expense)	1	(296)	(263)	1,208	650	(59)	(116)	(532)	(274)	(981)	-	-	-	-	-	-
Pretax income	6,021	14,063	(877)	6,159	25,367	8,349	14,514	30,174	23,307	76,345	23,615	27,729	30,905	33,218	115,467	143,860
Taxes	1,806	4,219	(263)	1,848	7,610	3,548	4,354	10,259	7,924	26,086	7,084	8,319	9,272	9,965	34,640	43,158
Adj Net income	4,215	9,844	(614)	4,312	17,757	4,801	10,160	19,915	15,383	50,258	16,530	19,411	21,634	23,252	80,827	100,702
Adj EPS b/f charges	**$ 0.10**	**$ 0.24**	**$ (0.02)**	**$ 0.11**	**$ 0.44**	**$ 0.12**	**$ 0.25**	**$ 0.49**	**$ 0.29**	**$ 1.09**	**$ 0.27**	**$ 0.32**	**$ 0.35**	**$ 0.38**	**$ 1.31**	**$ 1.62**
Diluted shares	40,286	40,286	40,286	40,286	40,286	40,286	40,286	40,286	52,693	45,912	61,105	61,303	61,485	61,653	61,589	62,172
Common Size:																
Net revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Direct costs	60.2%	59.1%	61.4%	68.6%	63.3%	69.1%	68.5%	67.4%	67.5%	68.1%	68.6%	68.0%	66.9%	67.0%	67.6%	67.3%
Gross margin	*39.8%*	*40.9%*	*38.6%*	*31.4%*	*36.7%*	*30.9%*	*31.5%*	*32.6%*	*32.5%*	*31.9%*	*31.4%*	*32.0%*	*33.1%*	*33.0%*	*32.4%*	*32.7%*
SG&A	31.1%	23.2%	26.0%	19.5%	24.1%	18.6%	17.3%	18.4%	18.0%	18.1%	18.0%	17.7%	18.2%	17.8%	17.9%	17.6%
Adj EBITDA	*12.3%*	*16.7%*	*8.6%*	*10.3%*	*11.7%*	*11.1%*	*12.5%*	*17.6%*	*14.5%*	*14.0%*	*13.4%*	*14.3%*	*14.9%*	*15.2%*	*14.5%*	*15.1%*
Depreciation	2.5%	2.2%	2.4%	1.8%	2.2%	1.9%	1.6%	1.9%	1.9%	1.8%	1.9%	2.0%	2.0%	2.0%	2.0%	2.0%
Total expenses	90.1%	85.5%	93.7%	91.5%	90.5%	90.8%	89.1%	84.3%	87.4%	87.9%	88.5%	87.6%	87.0%	86.8%	87.5%	86.9%
Adj EBITA	9.9%	14.5%	6.3%	8.5%	9.5%	9.2%	10.9%	15.7%	12.6%	12.1%	11.5%	12.4%	13.0%	13.2%	12.5%	13.1%
Interest income (expense)	-6.2%	-6.5%	-6.6%	-6.8%	-6.6%	-6.5%	-6.2%	-6.1%	-5.3%	-6.0%	-4.3%	-4.1%	-4.0%	-3.8%	-4.1%	-3.4%
Other income (expense)	0.0%	-0.2%	-0.1%	0.4%	0.1%	0.0%	0.0%	-0.2%	-0.1%	-0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Pretax income	3.6%	7.8%	-0.5%	2.1%	3.0%	2.7%	4.7%	9.4%	7.2%	6.0%	7.2%	8.2%	9.0%	9.4%	8.5%	9.7%
Taxes	30.0%	30.0%	30.0%	30.0%	30.0%	42.5%	30.0%	34.0%	34.0%	35.1%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
Adjusted net income	2.5%	5.5%	-0.3%	1.4%	2.1%	1.5%	3.3%	6.2%	4.8%	4.0%	5.0%	5.8%	6.3%	6.6%	5.9%	6.8%
% Change																
Net Revenue	13.1%	22.2%	27.9%	91.7%	39.5%	87.0%	73.5%	70.1%	8.1%	52.0%	6.0%	8.3%	7.5%	9.2%	7.8%	9.1%
Direct Costs	10.3%	20.2%	35.1%	118.2%	46.9%	114.8%	101.2%	86.7%	6.3%	63.7%	5.3%	7.5%	6.7%	8.4%	7.0%	8.6%
SG&A	42.5%	17.4%	35.4%	26.8%	30.4%	11.6%	29.4%	19.9%	-0.3%	13.9%	2.6%	10.9%	6.3%	8.0%	6.9%	7.3%
Adj EBITDA	*23.9%*	*14.3%*	*-23.1%*	*141.5%*	*27.2%*	*68.5%*	*29.6%*	*245.7%*	*52.3%*	*81.0%*	*27.9%*	*24.2%*	*-8.6%*	*14.5%*	*11.9%*	*13.6%*
Depreciation	19.2%	7.3%	14.7%	37.8%	20.0%	42.3%	23.4%	34.7%	13.4%	27.5%	8.8%	34.6%	13.8%	12.9%	16.7%	12.7%
Total expenses	11.9%	23.4%	35.8%	85.9%	40.7%	88.3%	80.8%	53.0%	3.2%	47.6%	3.4%	6.6%	11.0%	8.4%	7.3%	8.4%
Adj EBITA	25.2%	15.5%	-31.6%	188.7%	28.9%	75.1%	30.5%	325.1%	60.8%	93.1%	31.8%	22.7%	-11.3%	14.7%	11.2%	13.8%
Interest expense	29.3%	52.8%	68.2%	108.1%	67.0%	95.7%	65.8%	57.1%	-16.1%	39.1%	-29.9%	-27.8%	-30.0%	-21.4%	-27.5%	-8.8%
Pretax income	13.6%	-4.6%	-108.8%	-742.3%	-12.7%	38.7%	3.2%	-3542.2%	278.4%	201.0%	182.8%	91.0%	2.4%	42.5%	51.2%	24.6%
Taxes	13.6%	-4.6%	-108.8%	-742.3%	-12.7%	96.4%	3.2%	-4001.1%	328.8%	242.8%	99.7%	91.0%	-9.6%	25.8%	32.8%	24.6%
Adj Net income	13.6%	-4.6%	-108.8%	-742.3%	-12.7%	13.9%	3.2%	-3345.5%	256.8%	183.0%	244.3%	91.0%	8.6%	51.2%	60.8%	24.6%
EPS b/f Charges	13.6%	-4.6%	-108.8%	-742.3%	**-12.7%**	13.9%	3.2%	-3345.5%	172.8%	**148.4%**	127.0%	25.5%	-28.8%	29.2%	**19.9%**	**23.4%**

Source: Company Reports and Jefferies LLC

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Chart 9: PRAH Balance Sheet and Cash Flow

FY December, $000	Q4	2013	Q1	Q2	Q3	Q4	2014	Q1	Q2	Q3	Q4	2015	2016
Balance Sheet													
Cash & equivalents	$72,155		$58,302	$57,646	$87,805	$129,087		$121,461	$116,663	$113,935	$113,131	$113,131	$117,981
Restricted cash	8,760		8,760	8,199	8,426	8,503		8,691	8,883	9,058	9,288	9,288	10,095
Accounts receivable, net	232,639		232,639	241,933	241,933	250,907		256,445	262,109	267,281	274,053	274,053	297,880
Unbilled services	62,344		62,344	98,023	98,023	101,737		103,982	106,279	108,376	111,122	111,122	120,783
Prepaid & other	82,096		85,547	78,311	80,484	81,216		83,008	84,842	86,516	88,708	88,708	96,420
Total current assets	457,994		447,592	484,112	516,671	571,451		573,588	578,776	585,167	596,301	596,301	643,159
PP&E, net	1,874,699		1,842,061	1,818,632	1,820,143	1,821,673		1,823,010	1,824,399	1,825,836	1,827,313	1,827,313	1,832,552
Intangibles, net	-		-	-	-	-		-	-	-	-	-	-
Goodwill, net	-		-	-	-	-		-	-	-	-	-	-
Investment in subsidiaries	3,246		3,246	2,792	2,792	2,792		2,792	2,792	2,792	2,792	2,792	2,792
Debt financing costs	41,373		41,373	38,056	38,056	38,056		38,056	38,056	38,056	38,056	38,056	38,056
Deposits & other assets	17,422		17,422	19,870	19,870	19,870		19,870	19,870	19,870	19,870	19,870	19,870
Total assets	**2,394,734**		**2,351,694**	**2,363,462**	**2,397,532**	**2,453,842**		**2,457,315**	**2,463,893**	**2,471,720**	**2,484,332**	**2,484,332**	**2,536,429**
Liabilities & Equity													
Accounts payable & accrued expenses	154,475		154,475	185,299	190,440	192,173		196,414	200,752	204,714	209,900	209,900	228,149
Advanced billings	295,889		295,889	293,613	301,759	304,504		311,225	318,099	324,376	332,594	332,594	361,511
Borrowings under credit facilities	10,000		10,000	-	-	-		-	-	-	-	-	-
Current portion, L-T debt	8,900		8,900	8,900	8,900	8,900		8,900	8,900	8,900	8,900	8,900	8,900
Total current liabilities	469,264		469,264	487,812	501,099	505,577		516,539	527,752	537,990	551,394	551,394	598,560
L-T debt	1,245,812		1,263,587	1,242,276	1,242,276	972,276		947,276	922,276	897,276	872,276	872,276	772,276
Deferred taxes	-		-	-	-	-		-	-	-	-	-	-
Other long-term liabilities	212,323		212,323	171,313	171,313	171,313		171,313	171,313	171,313	171,313	171,313	171,313
Shareholders' equity	467,335		472,136	462,061	482,844	804,676		822,187	842,553	865,141	889,348	889,348	994,281
Total liabilities & equity	**2,394,734**		**2,417,310**	**2,363,462**	**2,397,532**	**2,453,842**		**2,457,315**	**2,463,893**	**2,471,720**	**2,484,332**	**2,484,332**	**2,536,429**
Cash Flow Statement													
Operating cash flow													
Net income	$(9,380)	$(88,333)	$(10,041)	$(4,056)	$19,915	$15,383	$21,201	$16,530	$19,411	$21,634	$23,252	$80,827	$100,702
D&A	21,960	50,477	24,638	24,598	5,989	6,220	61,445	6,414	6,610	6,814	7,023	26,860	30,260
Stock-based compensation	132	24,741	892	868	868	868	3,496	981	955	955	955	3,846	4,230
Debt issuance/extinguishment	3,065	27,615	2,818	1,459	-	-	4,277	-	-	-	-	-	-
Unrealized FX transaction loss (gain)	2,224	3,235	2,644	3,164	-	-	5,808	-	-	-	-	-	-
Other	(16,574)	(50,242)	(11,083)	(8,988)	-	-	(20,071)	-	-	-	-	-	-
Changes in working capital		-			10,887	(9,020)	1,868	1,199	1,226	1,120	1,466	5,010	5,158
A/R & unbilled services	45,149	41,560	(66,635)	16,088	-	-	(50,547)	-	-	-	-	-	-
Other current assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Current liabilities	(6,699)	16,216	16,440	3,934	-	-	20,374	-	-	-	-	-	-
Total operating cash flow	**39,877**	**25,269**	**(40,327)**	**37,067**	**37,659**	**13,451**	**47,850**	**25,124**	**28,202**	**30,522**	**32,696**	**116,543**	**140,351**
Capital expenditures	(4,690)	(19,716)	(5,784)	(6,092)	(7,500)	(7,750)	(27,126)	(7,750)	(8,000)	(8,250)	(8,500)	(32,500)	(35,500)
Acquisitions/Divestitures	(81,962)	(1,115,334)	15,000	64	-	-	15,064	-	-	-	-	-	-
Other	-	(4,599)	-	-	-	-	-	-	-	-	-	-	-
Total investing cash flow	**(86,652)**	**(1,139,649)**	**9,216**	**(6,028)**	**(7,500)**	**(7,750)**	**(12,062)**	**(7,750)**	**(8,000)**	**(8,250)**	**(8,500)**	**(32,500)**	**(35,500)**
Net changes in debt	71,218	797,714	17,775	(32,225)	-	(270,000)	(284,450)	(25,000)	(25,000)	(25,000)	(25,000)	(100,000)	(100,000)
Net changes in equity	14,895	338,879	-	33	-	305,581	305,614	-	-	-	-	-	-
Other	(3,146)	(58,819)	-	-	-	-	-	-	-	-	-	-	-
Total financing cash flow	**82,967**	**1,077,774**	**17,775**	**(32,192)**	**-**	**35,581**	**21,164**	**(25,000)**	**(25,000)**	**(25,000)**	**(25,000)**	**(100,000)**	**(100,000)**
FX impact	(31)	(450)	(517)	497	-	-	(20)	-	-	-	-	-	-

Source: Company Reports and Jefferies LLC

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Company Description

PRA Health Sciences is a leading global contract research organization. The company provides outsourced clinical development services to the biotechnology and pharmaceutical industries. PRA's global clinical development platform spans 80 countries and employs more than 10,000 individuals worldwide. Since 2000, the company has performed approximately 2,300 clinical trials worldwide and has worked on more than 100 marketed drugs across several therapeutic areas.

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Risk which may impede the achievement of our Price Target

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- Biogen Idec, Inc. (BIIB: $340.87, BUY)
- Catalent, Inc. (CTLT: $29.16, BUY)
- Charles River Laboratories, Inc. (CRL: $63.91, BUY)
- Covance Inc. (CVD: $103.22, HOLD)
- Eisai (4523 JP: ¥4,984, UNDERPERFORM)
- Gilead Sciences, Inc. (GILD: $104.59, HOLD)
- ICON plc (ICLR: $52.94, BUY)
- Johnson & Johnson (JNJ: $108.51, HOLD)
- Merck & Co. (MRK: $61.49, HOLD)
- Novartis AG (NOVN VX: CHF93.80, BUY)
- PAREXEL International Corporation (PRXL: $57.18, HOLD)
- Pfizer, Inc. (PFE: $31.99, BUY)
- PRA Health Sciences (PRAH: $22.06, BUY)
- Quintiles Inc. (Q: $57.37, HOLD)
- Sanofi (SAN FP: €76.14, HOLD)
- Shire (SHP LN: p4,602.00, BUY)
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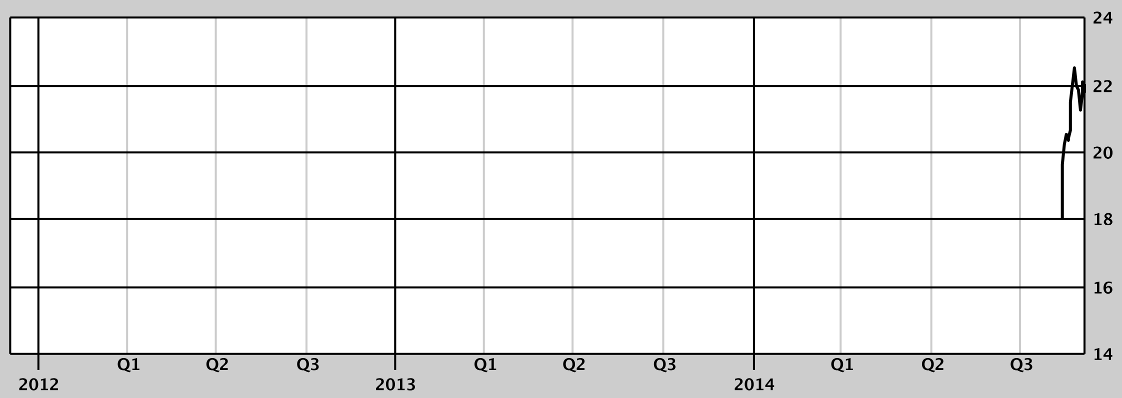
- WuXi PharmaTech Inc. (WX: $35.84, HOLD)

Rating and Price Target History for: PRA Health Sciences (PRAH) as of 12-05-2014



Distribution of Ratings

Rating	Count	Percent	IB Serv./Past 12 Mos. Count	IB Serv./Past 12 Mos. Percent
BUY	1040	52.21%	275	26.44%
HOLD	806	40.46%	142	17.62%
UNDERPERFORM	146	7.33%	5	3.42%

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