KeyBanc Capital Markets

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HEALTHCARE: Life Sciences Tools & Services

Initiating Coverage

PRA Health Sciences, Inc.

PRAH: Initiating Coverage with Sector Weight Rating

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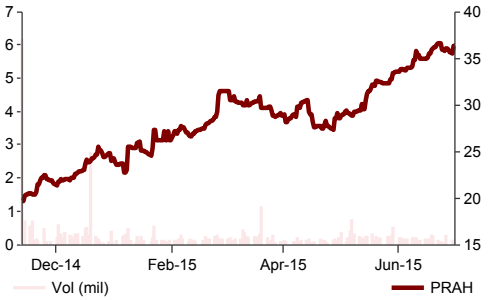
We are initiating coverage of PRA Health Sciences (PRAH-NASDAQ) with a Sector Weight rating on valuation with the stock having doubled since its successful late 2014 IPO and now trading at premium multiple of 12.5x our 2016 EBITDA estimate (peer group: 11.7x). Also, elevated balance sheet debt (~4.7x EBITDA) will relatively limit the Company's strategic flexibility. A refinancing might help improve PRA's investment profile given the low interest rate environment and elevated equity valuations, in our opinion.

NASDAQ: PRAH	
Rating:	Sector Weight
Price Target:	NA
Price:	$36.33



Sources: Company reports, FactSet, KeyBanc Capital Markets Inc.

Company Data

52-week range	$18 - $37
Market Cap. (M)	$2,280.8
Shares Out. (M)	62.78
Enterprise Value (M)	$3,150.6
Avg. Daily Volume (30D)	196,007.0
SI as % of Float	6.6%
SI % Chg. from Last Per.	101.6%

Sources: Company reports, FactSet, KeyBanc Capital Markets Inc.

Key Investment Points

PRAH offers clinical trial outsourcing services to the global biopharmaceutical industry. In September 2013, PRAH acquired ReSearch Pharmaceutical Services (RPS), adding a $400 million functional outsourcing business. This was followed by an IPO in late 2014 to accelerate a de-leveraging process.

Looking ahead, **we model organic, constant currency revenue growth of ~12% in 2015 and ~8% in 2016,** driven by favorable environment for clinical trial outsourcing. We think PRA's investments in specialized Phase I capabilities has improved its competitiveness for larger project work in complex areas such as oncology. Also, PRA has a large portion of its revenue base (~32%) aligned with rapidly growing emerging biotechnology and small biopharmaceutical firms. Finally, we expect cross-selling between PRA's and RPS's complementary clientele with the two companies' newfound ability to engage sponsors in a more holistic manner.

In our view, **the defining characteristic of PRAH is its functional outsourcing business, which accounts for over a third of revenues.** We have a mixed view on this business. On the one hand, we believe it is reasonable that functional outsourcing merits a discounted valuation given its lower growth and margin profile. Functional outsourcing is most appropriate for larger biopharmaceutical firms, who, in turn, are growing much more slowly -- i.e., functional outsourcing is not getting the "biotech kick" that programmatic outsourcing is. Also, the increasing complexity of clinical trials clearly favors the programmatic outsourcers.

On the other hand, **the market for functional outsourcing is very large.** And, the ability to offer a hybrid solution gives PRA a much more customized offering. Sponsors sometimes outsource in a hybrid manner to build rapport with a CRO before transitioning to programmatic engagements. Thus, the value of functional outsourcing is more than just the contract economics itself, but also the value of the relationship with the sponsor.

Estimates

FY ends 12/31	F2014A	1Q15A	2Q15E	3Q15E	4Q15E	F2015E	F2016E
EPS (Net)	$1.26	$0.41	$0.40	$0.43	$0.44	$1.69	$1.99
Cons. EPS	--	$0.41	$0.40	$0.41	$0.43	$1.66	$1.94
Revenue (M)	$1,266.0	$332.0	$337.0	$346.3	$350.3	$1,346.5	$1,488.4
Cons. Revenue	--	$332.0	$335.4	$344.4	$351.8	$1,363.6	$1,484.3
Valuation							
P/E	28.8x	--	--	--	--	21.5x	18.3x

Sources: Company reports, FactSet, KeyBanc Capital Markets Inc.

Valuation

PRAH current trading price implies a 12.5x multiple of our 2016 adjusted EBITDA estimate of $252 million (consensus: $246 million), which is above the CRO group average (11.7x). We believe PRAH is nicely set up for ~8%+ growth in 2016. However, elevated indebtedness may limit the Company's strategic flexibility with regard to acquisitions and reinvestments.

Investment Risks

PRAH operates in a competitive industry against other providers that have similar services. Also, the Company's ability to generate revenue and earnings growth is contingent on trends in global biopharmaceutical R&D spending and the propensity of biopharmaceutical firms to outsource R&D and sales activities to third parties. Finally, PRAH has an elevated level of indebtedness, so it is important for the Company to reduce debt.

PRAH is, by far, the most financially leveraged CRO with a debt ratio (net debt-to-EBITDA) of 4.7x. This is almost six times the average of its publicly traded, late-stage CRO peers at 0.8x. We anticipate no liquidity issues given the Company's strong cash flow and the structure of its loan agreements, including no principal payments until 2020 and loose covenants (in our view). Nonetheless, from a relative strategic standpoint, management will have limited financial flexibility for opportunistic acquisitions and/or reinvestment projects in the business.

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INVESTMENT SUMMMARY

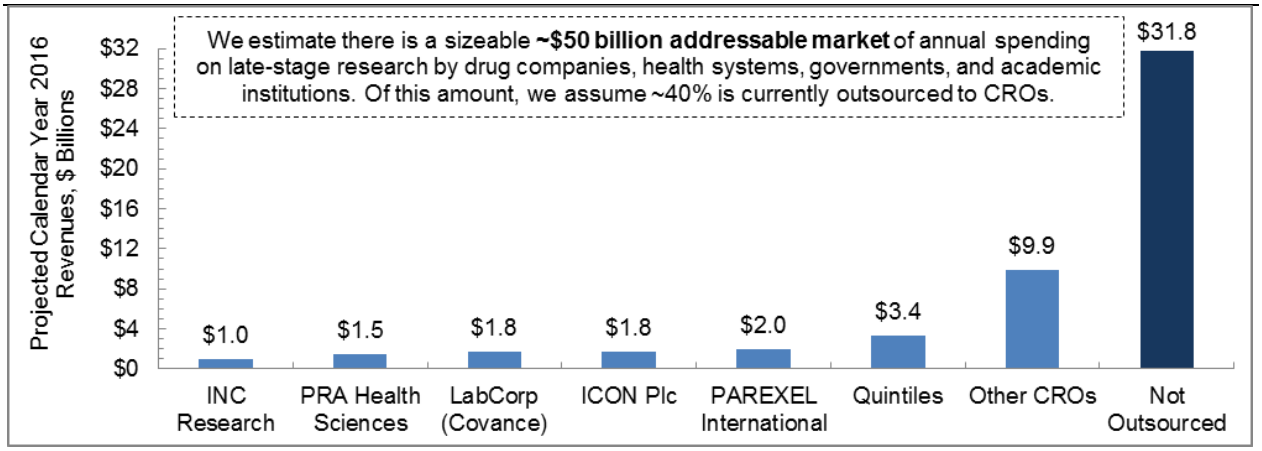
We are initiating coverage of PRA Health Sciences with a Sector Weight rating with the stock trading at 12.5x our 2016 adjusted EBITDA estimate of $252M. This is a ~6% premium to the late-stage CRO average of 11.7x. PRA provides a full range of programmatic (project based) and functional outsourcing services to the biopharmaceutical industry as a result of its transformational acquisition of ReSearch Pharmaceutical Services (RPS) in late 2013, which increased the Company's revenue base by ~75%. PRA subsequently completed an IPO in November 2014 to begin a de-leveraging process, and remains closely held (~67%) by private equity.

Looking ahead, **we model consolidated organic, constant currency revenue growth of ~11.5% in 2015 and ~8.2% in 2016** driven by favorable macro environment for drug development and clinical trial outsourcing. Near term, we think that PRA's investments in specialized *Phase I* capabilities will improve its competitiveness for larger *Phase II* and *Phase III* studies in complex areas such as central nervous system disorders and oncology. Also, PRA has a relatively large portion of its revenues (~32%) aligned with rapidly growing emerging biotechnology companies and small and mid-sized biopharmaceutical firms. Mid/long term, we expect cross-selling opportunities between PRA's and RPS's complementary clients and service offerings, and the two companies together will now have more scale to engage the biopharmaceutical industry in more comprehensive strategic relationships.

In our view, **the defining characteristic of PRA is its relatively large functional outsourcing business,** which we estimate accounts for over a third of net revenues. We have a mixed view on this business. On the one hand, we believe it is reasonable that functional outsourcing merits a discounted valuation given its lower growth and margin profile. Functional outsourcing is most appropriate for larger biopharmaceutical firms, that, in turn, are growing much more slowly—i.e., functional outsourcing is not getting the "biotech kick" that programmatic outsourcing is. Also, the increasing complexity of clinical trials clearly favors the programmatic outsourcers. On the other hand, it must also be acknowledged that the market for functional outsourcing is (theoretically) very large. Moreover, the ability to offer a hybrid solution gives PRA a much more customized offering. Sponsors sometimes outsource in a hybrid manner to build rapport with a CRO before transitioning to programmatic engagements. Thus, the *value* of functional outsourcing is more than the contract economics itself—it also includes the value of the *relationship* with the sponsor.

The major investment risk for PRA is its elevated indebtedness. PRA is, by far, the most financially leveraged CRO with a debt ratio (net debt-to-EBITDA) of 4.7x. This is almost six times the average of its publicly traded, late-stage CRO peers at 0.8x. We anticipate no liquidity issues given the Company's strong cash flow profile and the structure of its loan agreements (i.e., no principal payments until 2020 and loose covenants). Nonetheless, from a relative strategic standpoint, PRA has significantly less financial flexibility. For instance, we calculate PRA's fixed charge coverage of 2.01x in 2016 to be materially less than INC Research (at 2.46x) and Quintiles (at 2.99x).

Figure 1: PRA Health Sciences Has Emerged as a Top 10 Late-Stage CRO Measured in Revenues



Source: Company reports and KeyBanc Capital Markets Inc.

The EVOLUTION OF PRA HEALTH SCIENCES

**** Forward note: For a basic overview of the contract research organization market, refer to Appendix 1 ("Overview of and Outlook for the CRO Industry") and Appendix 2 ("The Biopharmaceutical Development Lifecyle"). ****

PRA Health Sciences (PRA) is a contract research organization (CRO) providing a full range of outsourcing services to the global biopharmaceutical industry. About two-thirds of PRA's revenues is generated from clinical trial projects (*Phase I* to *Phase IV)* across a range of therapeutic verticals, including oncology, central nervous system disorders and infectious diseases, among others. The remaining third of the Company's revenues is from functional outsourcing engagements as a result of its acquisition of ReSearch Pharmaceutical Services in 2013. PRA is headquartered in Raleigh, NC, and employs ~11,000 staff in 75 offices worldwide. We project that the Company will generate ~$1.4B of net services revenue in 2015. Refer to Figures 2 and 3.

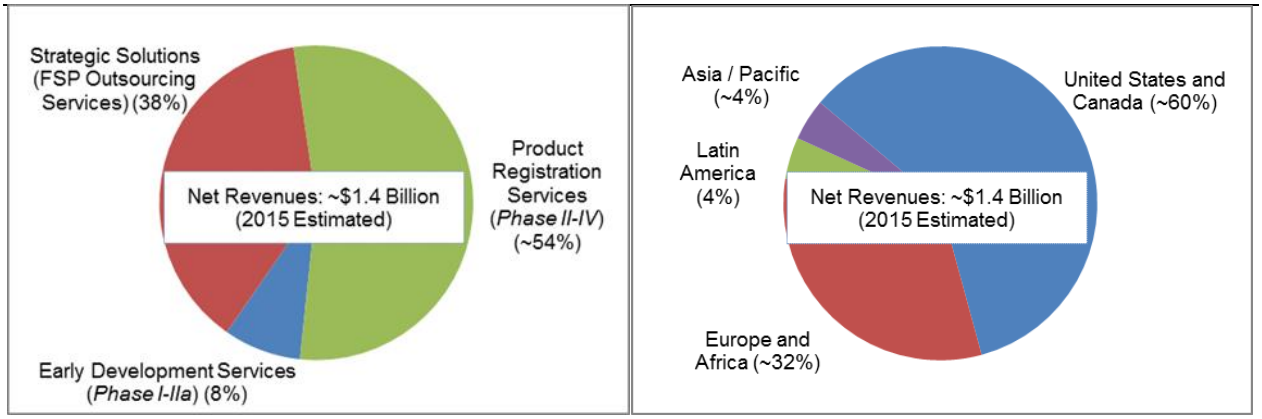
Figure 2: PRA Transformed by Late 2013 Acquisition of ReSearch Pharmaceutical Services

	Fiscal Year Ended December							
$ in Millions, Except Per Share	**2010**	**2011**	**2012**	**2013**	**2014**	**2015E**	**2016E**	**2017E**
Net Services Revenues	$451	$548	$597	$833	$1,267	$1,384	$1,498	$1,610
Year-Over-Year Growth	*10.3%*	*21.4%*	*9.0%*	*39.5%*	*52.1%*	*9.2%*	*8.2%*	*7.5%*
Organic Constant Currency	*9.9%*	*21.6%*	*8.8%*	*14.7%*	*6.3%*	*11.5%*	*8.2%*	*7.5%*
Adjusted Operating EBITDA	$91	$95	$96	$131	$183	$226	$252	$279
Adjusted EBITDA Margin	*20.2%*	*17.4%*	*16.1%*	*15.7%*	*14.4%*	*16.4%*	*16.8%*	*17.3%*
Adjusted Diluted EPS	$0.60	$0.84	$0.78	$0.61	$1.26	$1.69	$1.99	$2.32
Year-Over-Year Growth	*46.3%*	*40.0%*	*-7.1%*	*-21.3%*	*105.6%*	*33.6%*	*18.4%*	*16.5%*

Source: Company reports and KeyBanc Capital Markets Inc.

PRA was founded in 1976 as the "Anti-Inflammatory Drug Study Group" (or the AIDS group) with an exclusive focus on clinical research in rheumatology. As a result of the AIDS scare in the 1980s, the Company changed its name to "PRA Health Sciences" in 1982. In the 1990s, PRA began offering clinical trial outsourcing across a broader range of therapeutic verticals before being acquired by the Carlyle Group (a private equity firm) in 1996. In 2001, the Carlyle Group sold PRA to Genstar Capital (another private equity firm), which, in turn, took PRA public in 2004 (under ticker "PRAI"). Genstar Capital took PRA back private in 2007 ahead of the capital market crisis of 2008/2009. Over this period, the Carlyle Group and Genstar Capital built PRA's capabilities and geographic footprint through more than a dozen tuck-in acquisitions, including Kinship Technologies in 2011 (adding informatics capabilities) and Clinstar in 2013 (adding geographic footprint in Russia and Eastern Europe). Also, to add presence in the Asia-Pacific, PRA recently took minority equity stakes in two joint ventures with Wuxi PharmaTech (private) and A2 Healthcare (private).

Figure 3: Revenue Breakdown by Business and Geography (KBCM Estimates)



Source: Company reports and KeyBanc Capital Markets Inc.

The Transformational Acquisition of ReSearch Pharmaceutical Services (RPS)

In September 2013, private equity firm Kohlberg Kravis Roberts & Co (KKR) acquired PRA from Genstar for $1.3B (~2.9x revenues) and ReSearch Pharmaceutical Services (RPS) for $289M (or ~0.7x revenues). The two companies were then merged together. The vision behind this merger was that PRA and RPS have complementary clients and service offerings that should create cross-selling opportunities over time, as well as the scale to engage the biopharmaceutical industry in more comprehensive strategic relationships. Refer to Figure 4.

- *Complementary Clientele.* PRA was known as a CRO for small/mid-sized biopharmaceutical firms ,with only four of the top 20 biopharmaceutical firms as clients. By contrast, RPS was predominately aligned with larger biopharmaceutical names, such as Novartis, Merck, and Johnson and Johnson, among others. With RPS, PRA now can claim relationships with all of the top 20 global biopharmaceutical firms.
- *Complementary Services.* PRA offered programmatic/project-based outsourcing services (i.e., running specific clinical trials on specific drugs), while RPS predominately provided functional outsourcing services, which are more akin to enterprise wide staffing engagements.

Moreover, to date, the RPS acquisition has generated ~$20M of cost synergies, including the offshoring of staff to low cost geographies and the rationalization of facilities and information technology systems, among others. Also, in retrospect, we believe RPS had been poorly managed with very low EBITDA margins in the mid-single digits (we estimate). We attribute this to RPS's attempt to expand too rapidly outside of its core base of large biopharmaceutical clients and over-aggressively pricing its contracts. Since the acquisition closed, PRA has been able to wind down many of these underpriced contracts or transition them to more profitability. Together, we believe the $20M of cost synergies and the wind-down of RPS's margin dilutive contacts have roughly doubled RPS's profitability going into the second half of 2015.

Figure 4: Selected Recent Acquisitions and Joint Ventures ($ in Millions)

Date	Acquisition / Joint Venture	Price	Comments
Jun-05	GMG BioBusiness	$7.3	European regulatory consulting services
May-06	Sterling Synergy Systems	n/a	Clinical monitoring services based in India
Jun-06	Pharma Bio-Research	107.0	Early phase CRO in The Netherlands
Oct-07	Pharmacon	n/a	CRO specializing in *Phase I* studies in Central Europe
May-11	Kinship Technologies	n/a	Software and data management vendor in India
Dec-12	WuXiPRA (Joint Venture)	4.6	Minority stake (~49%) in JV in China with WuXi PharmaTech
Feb-13	ClinStar	45.0	CRO serving clients in Russia and Eastern Europe
Mar-13	A2PRA (Joint Venture)	n/a	Minority stake (~49%) in JV in Japan with A2 Healthcare
Sep-13	ReSearch Pharmaceutical Services	289.3	Global CRO with FSP services
Dec-13	CRI Lifetree	77.1	Early-stage clinical trial specialist

Source: Company reports and KeyBanc Capital Markets Inc.

The downside of the RPS acquisition is that it may lead to a somewhat more concentrated revenue base over time, in our opinion. From a client perspective, in 2013 PRA's top five clients represented only 30% of net services revenues, with its top client accounting for 9%. At year-end 2014, 49% of PRA's backlog consisted of five clients, suggesting that its revenue exposure to these five clients might trend higher over time. In fact, on the most recent quarterly call management indicated that its top client will account for over 10% of revenues in 2015. Also, geographically, RPS skewed PRA's revenues a bit more toward North America. With RPS, PRA now generates 60% of its revenues in the United States and Canada, which is above the average of the other publicly traded CROs.

Initial Public Offering and Balance Sheet Restructuring

On November 18, 2014, PRA closed an initial public offering (IPO) totaling 19.5M shares (including 2.5M shares purchased by the underwriters) at $18 per share, raising net proceeds of $328M. The primary purpose of the IPO was to pay down debt ($319M) associated with prior acquisitions. This debt reduction resulted in annual interest savings of $21M (~$0.23 of EPS) and increased free cash flow of $15M, by our estimates. To a lesser extent, the IPO was also used to partially fund a $12M termination payment to a KKR for management services. Refer to Figure 5.

Figure 5: Initial Public Offering Used to De-Leverage Balance Sheet ($ In Millions)

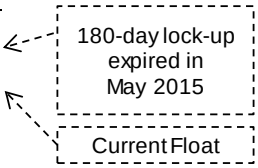
Initial Public Offering, Net of Fees	328.0	9.5% Senior Notes (Due 2023)	166.2
Cash on Hand	5.8	Senior Secured Term Loan Facility	153.2
		General Corporate	14.4
Sources of Cash	**$333.8**	**Uses of Cash**	**$333.8**

Source: Company reports

Finally, the IPO creates liquidity for KKR to possibly divest its PRA shares at some point in the future. However, KKR has continued to retain its majority (~67%) equity stake in PRA, and KKR has only been a shareholder of PRA for two years vis-à-vis its typical five to seven year investment horizon. Management indicated to us that there is an appetite among its minority shareholders for more liquidity in PRA's shares, but we do not believe that KKR feels compelled to sell any time soon. Refer to Figure 6.

Figure 6: PRA Remains Closely Held Even After the Initial Public Offering

	Shares, Millions		Ownership, %	
Shareholders	**Pre-IPO**	**Post-IPO**	**Pre-IPO**	**Post-IPO**
Kohlberg Kravis Roberts & Co (KKR)	39.5	39.5	98%	66%
Public Shareholders	-	19.5	-	**33%**
Management	0.7	0.7	2%	1%
Total Shares	40.3	59.8	100%	100%



Source: Company reports

KEY AREAS OF DIFFERENTIATION

PRA provides outsourcing services related to late-stage clinical trials with expertise across a full range of therapeutic verticals. In our view, PRA Health Sciences is differentiated from the other publicly traded CROs in two key respects: 1) its sizeable functional outsourcing business; and 2) its large and specialized *Phase I* business.

1) Sizeable Functional Outsourcing Business (~30% of Revenues)

In our opinion, the most unique aspect of PRA—vs. the other publicly traded CROs—is the size of its functional outsourcing business, called "*Strategic Solutions*" by management. PRA generates over a third of its revenues from functional outsourcing, by our estimates, as a result of its acquisition of ReSearch Pharmaceutical Services (RPS), which, in turn, was entirely functional outsourcing. This form of outsourcing generates lower margins, but it also produces more stable revenue streams under multi-year engagements that can last up to five years. We also believe that this business has strategic value insofar as it creates a more enterprise relationship with the sponsor.

- *Functional Outsourcing.* A functional outsourcing engagement involves the CRO providing a specific service to a sponsor across a *portfolio of projects*. This often would include repetitive functions such as data management, medical writing and biostatistics—as well as, increasingly, more advanced functions such as site activation, medical monitoring and pharmacovigilance. In the majority of its deals, PRA re-badges the sponsor's staff and uses the sponsor's own system and facilities (called "embedded services"). This type of functional outsourcing is more akin to a staffing model in which the sponsor wants to extend its existing organization, while maintaining internal control. In other cases, functional contracts involve PRA's staff, but use PRA's systems and facilities. In either case, we view the functional approach as most appropriate when a sponsor has the necessary in-house expertise, systems and processes, and is seeking a lower-cost solution.

- *Programmatic Outsourcing.* Programmatic outsourcing involves the CRO running all of the functions through the entirety of a *specific project* (e.g., a specific clinical trial on a specific drug), including trial conduct, oversight, data collection, analysis and reporting. This form of outsourcing appeals to drug developers that want access to the comparable advantages of a third-party CRO, including niche therapeutic and regulatory expertise, access to

advanced clinical techniques and geographic exposure. Because of the increasing clinical, regulatory and geographic complexity of clinical trials, we think that most of the growth in biopharmaceutical outsourcing has come from programmatic outsourcing. However, the downside here is that the sponsor may not get best-in-class service by function. Also, the sponsor may have already invested heavily in its own technologies and would prefer to avoid duplicating this investment by hiring a CRO using different technologies.

Currently, PRA's functional outsourcing business (i.e., legacy RPS) is being operated independently. However, over time, we think that there will be an opportunity for PRA to offer a "hybrid service" that allows the sponsor a more customized solution—mixing best in class by function and best in class by project. Also, we expect there should be a large opportunity to sell PRA's programmatic outsourcing capabilities to RPS clients given that the clientele of the two companies are very dissimilar—less than 10% client/revenue overlap, according to management. Functional outsourcing is inherently more common among larger sponsors with sizeable portfolios of projects where specific functions can be broadly scaled. Programmatic outsourcing, by contrast, has historically been more common among small/mid-sized sponsors. (Programmatic outsourcing is also increasingly commonly used by large sponsors as well.)

Importantly, sponsors sometimes outsource in a hybrid manner to build rapport with a CRO before transitioning to programmatic engagements. Thus, functional outsourcing can serve as a "bridge" to programmatic deals such that the *value* of RPS's functional outsourcing business is more than just the economics of the contracts themselves, but rather the *relationships* with the sponsors. The major challenge for programmatic outsourcers is obtaining the trust of the sponsor to "let go" of a specific project. Programmatic outsourcing failures can sometimes stem from a sponsor's unwillingness to give the CRO what the CRO needs to best perform (e.g., visibility to the sponsor's research pipeline and lack of collaboration) and/or the sponsor micro-managing the CRO. This is why all of the programmatic CROs also offer functional outsourcing services to some degree.

2) Early Development Services (Phase I and Phase IIa)

Notably, PRA has a larger *Phase I* (and *Phase IIa*) business than the other publicly traded CROs at ~8% of revenues, by our estimates. Specifically, PRA operates eight clinical pharmacology (*Phase I*) facilities (~500 beds) in the United States, Netherlands and Eastern Europe, as well as two bio-analytical laboratories. Also, PRA conducts more than half of its *Phase I* and *Phase IIa* projects with patients (vs. volunteers). In March 2015, PRA announced expansions in Early Development Services, including the opening an 11,000 square foot outpatient facility at its existing Salt Lake City and Marlton, NJ sites. Early Development Services is a relatively volatile area because we suspect there is still excess capacity globally for traditional, vanilla *Phase I* studies. However, having strong *Phase I* (and *Phase IIa*) capabilities are strategically important, in our view, insofar as it can improve a CRO's competitiveness for larger, late-stage studies. This is particularly the case, in our view, for CROs capable of running high-end *Phase I* studies with advanced micro-dosing techniques, pain models, and human abuse liability (HAL) studies.

Over the years, PRA has built up its Early Development Services, including the June 2006 acquisition of Pharma Bio-Research and the December 2013 acquisition of CRI Lifetree. CRI Lifetree (~$32M of run-rate revenue) was a *Phase I* CRO specialized in complex therapeutic areas, including central nervous system disorders, pediatrics and infectious diseases, among others. CRI Lifetree is also known for its ability to run HAL studies, which should improve PRA's competitiveness when bidding for CNS projects. The Company also recently expanded its Human Abuse Liability (HAL) capabilities at its Lenexa, Kansas site. Drugs with psychoactive properties are required to be tested for their abuse potential by the U.S. Food and Drug Administration (FDA) before they can be brought to market. HAL studies are challenging because of the nature of the study subjects (i.e., recreational non-dependent users of drugs), which, in turn, requires tightly controlled study settings. To our knowledge, there are a limited number of CROs with capabilities in this area.

FINANCIAL MODEL BREAKDOWN AND OUTLOOK

PRA reports its operating results on a consolidated basis, but its services can be considered in three separate areas: 1) *Product Registration Services* (we estimate: ~54% of revenues); 2) *Strategic Solutions* (~38% of revenues); and 3) *Early Development Services* (~8% of revenues). Over the long-term, management believes that these businesses together can grow revenues by 8% annually with EBITDA margins in the high teens.

- *Product Registration Services (We Estimate: ~54% of Revenues)*. Product Registration Services includes the programmatic outsourcing of late-stage clinical research (e.g., *Phase II*, *Phase III* and *Phase IV* trials) and post-marketing studies. This is essentially the core, legacy PRA business prior to the 2013 acquisition of RPS.
- *Strategic Solutions (~38% of Revenues).* Strategic Solutions consists of the acquired RPS functional outsourcing businesses. These services help biopharmaceutical sponsors extend their existing staff and infrastructure in clinical development, as needed, with contract labor.
- *Early Development Services (~8% of Revenues)*. PRA also offers *Phase I* and *Phase IIa* clinical trial services through a network of clinics (total of ~500 beds) and two bio-analytical laboratories. This business area includes the recent acquisition of CRI Lifetree in December 2013.

The Company also has minority equity positions (~49%) in two joint ventures, which are accounted for under the equity method (i.e., below the operating income line). This includes a joint venture formed in 2012 with Wuxi PharmaTech to offer clinical trial outsourcing in China and a joint venture with A2 Healthcare in Japan. Together, these joint ventures lost ~$3M over the past year, but we expect them to reach breakeven in 2016 and beyond.

Leading Indicators Suggest Above Trend Line Revenue Growth in Near/Mid-Term

Looking ahead, we model consolidated net services revenues of $1.384B (+11.5% constant currency growth) in 2015 and $1.498B (+8.2%) in 2016, driven by strength in *Product Registration* and *Early Development* services, as well as deals in *Strategic Solutions*, partially offset by the ongoing pruning (and renegotiating) of unprofitable functional outsourcing contracts entered into by the prior management team at RPS. We assume this pruning of unprofitable contacts will be complete by year-end 2015 based on our conversations with management. Refer to Figure 7.

Figure 7: PRA Is Positioned to Generate Above Trend Revenue Growth in 2015 and 2016

	Fiscal Year Ended December							
$ in Millions	**2010**	**2011**	**2012**	**2013**	**2014**	**2015E**	**2016E**	**2017E**
Net New Business (Bookings)	$600	$736	$654	$774	$1,494	$1,615	$1,730	$1,863
Year-Over-Year Growth (%)	*-9.6%*	*22.8%*	*-11.3%*	*18.5%*	*92.9%*	*8.1%*	*7.1%*	*7.7%*
Book-To-Bill Ratio	*1.33x*	*1.34x*	*1.09x*	*0.93x*	*1.18x*	*1.17x*	*1.15x*	*1.16x*
Backlog, Period End	$1,128	$1,314	$1,383	$1,940	$2,141	$2,351	$2,582	$2,835
Year-Over-Year Growth (%)	*13.0%*	*16.5%*	*5.2%*	*40.3%*	*10.4%*	*9.8%*	*9.9%*	*9.8%*
Net Service Revenue	$451	$548	$597	$833	$1,267	$1,384	$1,498	$1,610
Year-Over-Year Growth (%)	*10.3%*	*21.4%*	*9.0%*	*39.5%*	*52.1%*	*9.2%*	*8.2%*	*7.5%*
Organic Constant Currency	*9.9%*	*21.6%*	*8.8%*	*14.7%*	*6.3%*	*11.5%*	*8.2%*	*7.5%*
Adjusted Operating EBITDA	$91	$95	$96	$131	$183	$226	$252	$279
Adjusted EBITDA Margin	*20.2%*	*17.4%*	*16.1%*	*15.7%*	*14.4%*	*16.4%*	*16.8%*	*17.3%*
Adjusted Diluted EPS	$0.60	$0.84	$0.78	$0.61	$1.26	$1.69	$1.99	$2.32
Year-Over-Year Growth (%)	*46.3%*	*40.0%*	*-7.1%*	*-21.3%*	*105.6%*	*33.6%*	*18.4%*	*16.5%*
Interest Expense, Net	$38	$36	$33	$56	$82	$60	$56	$51
EPS Tailwind						*0.25*	*0.04*	*0.05*

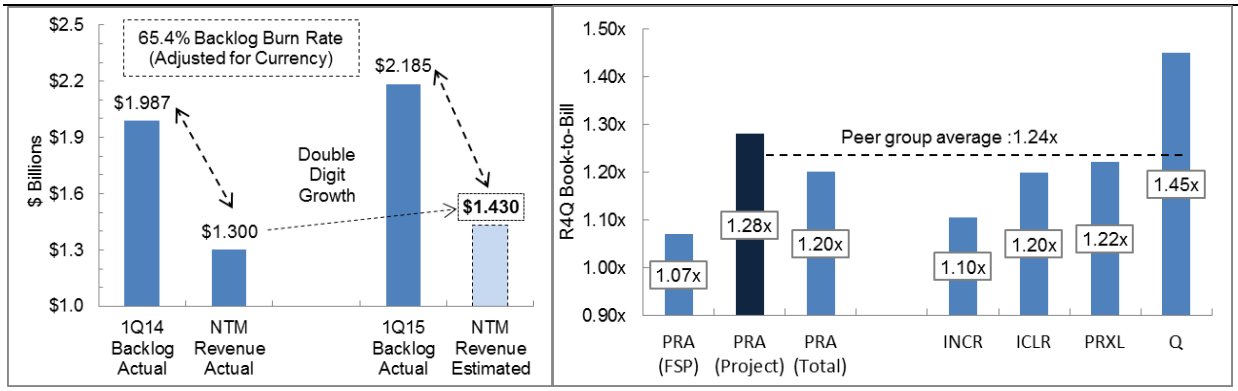
Source: Company reports and KeyBanc Capital Markets Inc.

Importantly, we expect PRA will continue to benefit from the favorable environment for drug development and clinical trial outsourcing. Late-stage clinical trials are increasingly in more complex and logistically challenging therapeutic

areas, such as oncology, inflammation, central nervous system disorders and infectious diseases. This is pressuring sponsors to increase their outsourcing to third parties. In fact, management commented at a recent conference that oncology and CNS now accounts for over 40% of revenues. Here, we think PRA's investments in specialized *Phase I* capabilities will improve its competitiveness for larger *Phase II* and *Phase III* studies. Finally, PRA still has a large portion of its revenues aligned with small/mid-sized biopharmaceutical developers (~32%), which has been the source of much of the innovation in recent years. Together, these factors drove ~10% revenue growth in each of the past two quarters, and we think it is reasonable to assume this level of growth continues for the near term.

Building on this positive backdrop, we expect to soon see evidence of PRA cross-selling its programmatic outsourcing services to the *Strategic Solutions* clients of RPS. To date, management has not aggressively pursued cross-selling to the RPS's client base. Instead, the *Strategic Solutions* division has been operated as an independent entity, with PRA only taking inbound requests for programmatic project work. It was viewed by management as important to reassure RPS's clients that PRA would not disrupt their existing relationships with RPS. Recent renewals by large *Strategic Solutions* clients appear to recognize this. Looking ahead, management has just recently merged the business development teams of the two companies into one unit, and is now starting the process of evaluating how to best identify and share opportunities. We anticipate PRA to begin to report bookings from cross-selling over the next 18 months. Revenues will take longer to be recognized given the time required to start-up clinical trials.

Figure 8: Recent Backlog and Bookings Metrics Suggest Strong Near-Term Top-Line Performance



Source: Company reports and KeyBanc Capital Markets Inc.

Backlog and Bookings Trends Compare Favorably to Publicly Traded Peers

Our near-term revenue outlook is supported by backlog and bookings data. As a caveat, PRA's backlog and bookings includes both: 1) remaining revenues under programmatic outsourcing contracts (before any project cancellations and/or modifications); and 2) revenue expected to be generated over the next 12 months under *Strategic Solutions* engagements. Management does not break down backlog or bookings between programmatic and functional revenues. Because of this, aggregated backlog and bookings data has somewhat less predictive value, in our view. Moreover, the change in mix following the RPS, ClinStar and CRI Lifetree acquisitions and the increasing value of the U.S. dollar in recent quarters further distorts comparisons over time. Refer to Figure 8.

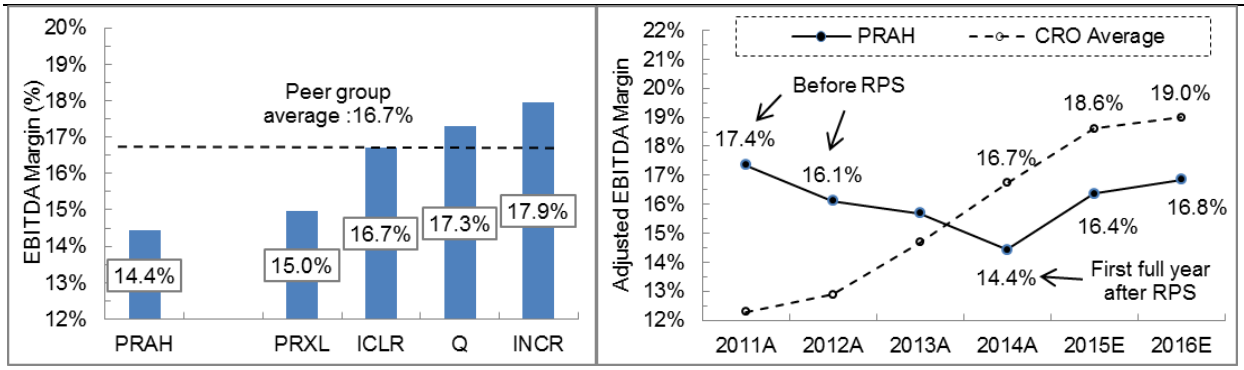
- *Contract Backlog.* PRA reported ~$2.2B of backlog at the end of March 2015. Given that management has indicated that there has been no material change in the composition of project mix and/or complexity, we believe the NTM revenue experience should be proportionally similar to last year. Applying last year's backlog NTM burn rate to the current backlog would imply over 10% NTM constant currency growth, and would suggest that full-year 2015 revenues will likely come in at the high end of management 2015 guidance of $1.340B-$1.390B.

- *Business Awards (Bookings).* PRA has generated $1.540B in net bookings through March 2015 on a R4Q basis, calculating to a net book-to-bill ratio of ~1.20x (R4Q). Given that the book-to-bill ratio for the functional contracts is inherently in the 1.05-1.10x range (by virtue of how functional outsourcing bookings are computed), this would algebraically imply a strong book-to-bill of ~1.28x (R4Q) for PRA's programmatic outsourcing services. Assuming normalized cancellation and backlog burn rates, this also supports constant currency revenue growth at or above 10%, by our estimates.

Adjusted EBITDA Margin Expansion Has a Ways to Go

We model adjusted EBITDA margins expanding from 14.4% in 2014 to 16.4% in 2015 (+200 basis points) and 16.8% in 2016 (+40 basis points). Most of the expected improvement in 2015 reflects the benefit from a stronger U.S. dollar (we assume: ~150 basis points). PRA's gross margins benefit from a strong U.S. dollar since a high proportion of its labor costs ("direct costs") are generated in Europe. This lack of a natural currency hedge in operations (particularly functional outsourcing) will result in currency rates continuing to materially impact gross margins. As such, our gross margin outlook beyond 2016 could prove to be too high if the U.S. dollar were to weaken.

Figure 9: PRA Will Continue to Operate with Lower EBITDA Margins, Despite Efficiency Gains



Note: CRO average includes ICON (ICLR), PAREXEL International (PRXL), Quintiles Transnational (Q), and INC Research (ICNR). Source: Company reports and KeyBanc Capital Markets Inc.

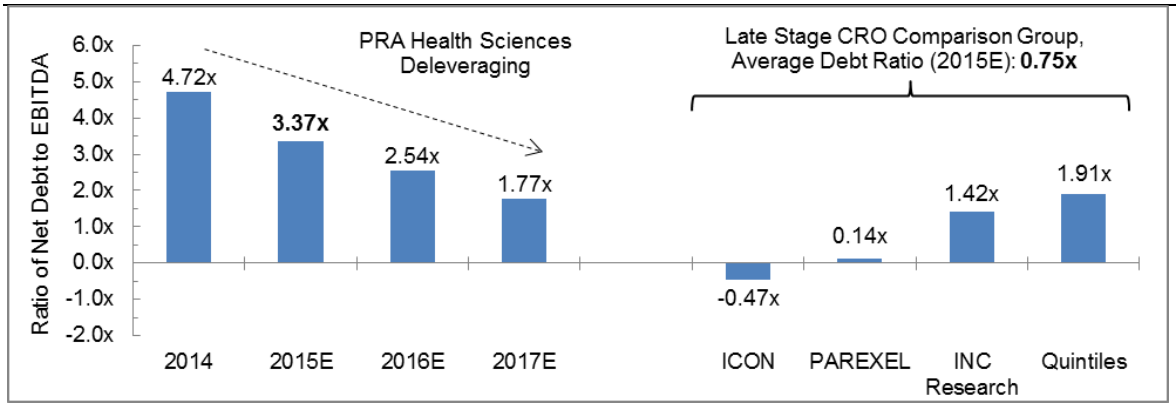
Beyond currency, we assume a carryover benefit to 2015 margins (~30 basis points) related to the $20M of cost synergies achieved with the RPS acquisition in 2014. We further anticipate 2015 margin benefit (~20 basis points) from management's success reducing the Company's use of third-party contract labor (mainly at RPS), which on a per unit basis averages twice as expensive as an in-house employee. In 2014, contract labor accounted for 5.1% of direct costs (vs. 4.8% pre-RPS). Management believes that this could get down to 2% to 3% over time. Finally, management is in the final stages of pruning (winding down) or renegotiating unprofitable *Strategic Solutions* contacts that were entered into under the prior management team. We assume that this pruning/renegotiating of lower margin *Strategic Solutions* contracts will offset any costs associated with the onboarding of new strategic relationships.

Beyond 2015, we think that PRA can achieve an adjusted EBITDA margin in the high teens. As synergy benefits wind down, a large portion of this margin upside will be driven by a gradual mix shift toward higher growth and higher margin programmatic outsourcing (we assume ~20 basis points annually). Also, we believe there is upside through the use of informatics. In June 2015, PRA announced that it had completed the development of a new proprietary cloud-based middleware platform called *Predictivv* that is able to harmonize data across the entirety of a clinical study. Management plans to begin to deploy this new system in a modular fashion in the second half of 2015. Management is particularly focused on using data to better address investigator site selection, patient recruitment and risk-based monitoring, as well as adaptive clinical trial designs. Finally, *Predictivv* will include retroactive and predictive analytics with data pulling from several dozen sources, as well as third-party biometric devices.

BALANCE SHEET DE-LEVERAGING

Looking ahead, we view PRA's primary challenge to be its indebtedness. PRA is, by far, the most leveraged CRO with a debt ratio (net debt-to-EBITDA) of 4.7x. This is more than double the next most leveraged late-stage CRO (Quintiles at ~1.9x) and almost six times the average of the publicly traded, late-stage CROs (at 0.8x). Moreover, this includes $225M of high cost 9.5% senior notes, which are not callable until 2018 and are subject to prepayment penalties of up to 4.75% prior to 2021. As such, management has stated that the focus of free cash flow will be debt reduction. We further suspect management is interested in refinancing the 9.5% notes. Such a refinancing could be materially accretive given the currently low interest rate environment and elevated equity markets. This would follow in pattern the recently accretive debt refinancings by INC Research and Quintiles. Refer to Figure 10.

Figure 10: Deleveraging Is Priority Following Large, Debt-Funded Acquisitions



Note: Our base case model assumes 50% of free cash flow is used to reduce debt.
Source: Company reports and KeyBanc Capital Markets Inc.

In our view, investors can take some comfort in PRA's strong free cash flow profile. We expect PRA to accumulate ~$383M of free cash flow over the next three years. The Company has a favorable working capital profile with DSOs averaging 10-15 days and limited maintenance capital spending requirements (we estimate: 2.0% of revenues). Because of this, we expect over 50% of adjusted EBITDA will drop down to free cash flow. This calculates to free cash flow of ~$102M (~$1.63/share) in 2015 and $130M (~$2.06/share) in 2016. Our models further assume that 50% of this cash flow will be used to prepay debt, resulting in ~$13M of run-rate interest savings (~$0.21 of EPS) by year-end 2017, excluding any prepayment penalties on the 9.5% notes. Refer to Figure 11.

Figure 11: Free Cash Flow Generation Is Critical to Deleveraging Story

$ in Millions	2013A	2014A	2015E	2016E	2017E
Adjusted Revenue	$832.9	$1,266.6	$1,383.7	$1,497.7	$1,610.1
Adjusted EBITDA	130.6	182.8	226.3	249.4	272.9
Adjusted EPS	0.61	1.26	1.69	1.96	2.25
Net Earnings	(88.3)	(35.7)	62.4	75.9	93.1
Depreciation and Amortization	50.5	96.6	78.4	83.2	88.4
Changes in Working Capital	23.0	4.9	1.6	4.9	5.0
Other Non-Cash Items	40.1	(43.0)	(8.5)	(3.0)	(2.6)
= Operating Cash Flow	**$25.3**	**$22.7**	**$133.8**	**$160.9**	**$183.9**
less: Capital Spending	(19.7)	(27.3)	(31.7)	(31.5)	(32.2)
= Free Cash Flow	**$5.6**	**($4.6)**	**$102.1**	**$129.5**	**$151.7**
Free Cash Flow Per Share	*0.09*	*(0.07)*	*1.63*	*2.06*	*2.42*

Source: Company reports and KeyBanc Capital Markets Inc.

Figure 12: Coverage Ratios Appear Sufficient Assuming No Debt Prepayments (Scenario)

$ in Millions	2014A	2015E	2016E	2017E
Adjusted EBIT	161	204	223	241
plus: Rent Expense (Estimated)	33	34	35	35
= Adjusted EBIT, Pre Rent	$194	$238	$257	$276
Interest Expense (Assuming No Debt Reduction)	82	82	82	82
plus: Rent Expense (Estimated)	33	34	35	35
plus: Maintenance Capital Spending (Estimated)	23	25	27	29
plus: Debt Principal Payments (None Scheduled)	0	0	0	0
= Fixed Charges (Estimated)	$138	$141	$144	$146
Fixed Charge Coverage	**1.41x**	**1.69x**	**1.79x**	**1.89x**
Adjusted EBIT	$161	$204	$223	$241
/ Interest Expense (Assuming No Debt Reduction)	82	82	82	82
= Interest Coverage	**1.96x**	**2.49x**	**2.72x**	**2.94x**

Source: KeyBanc Capital Markets Inc.

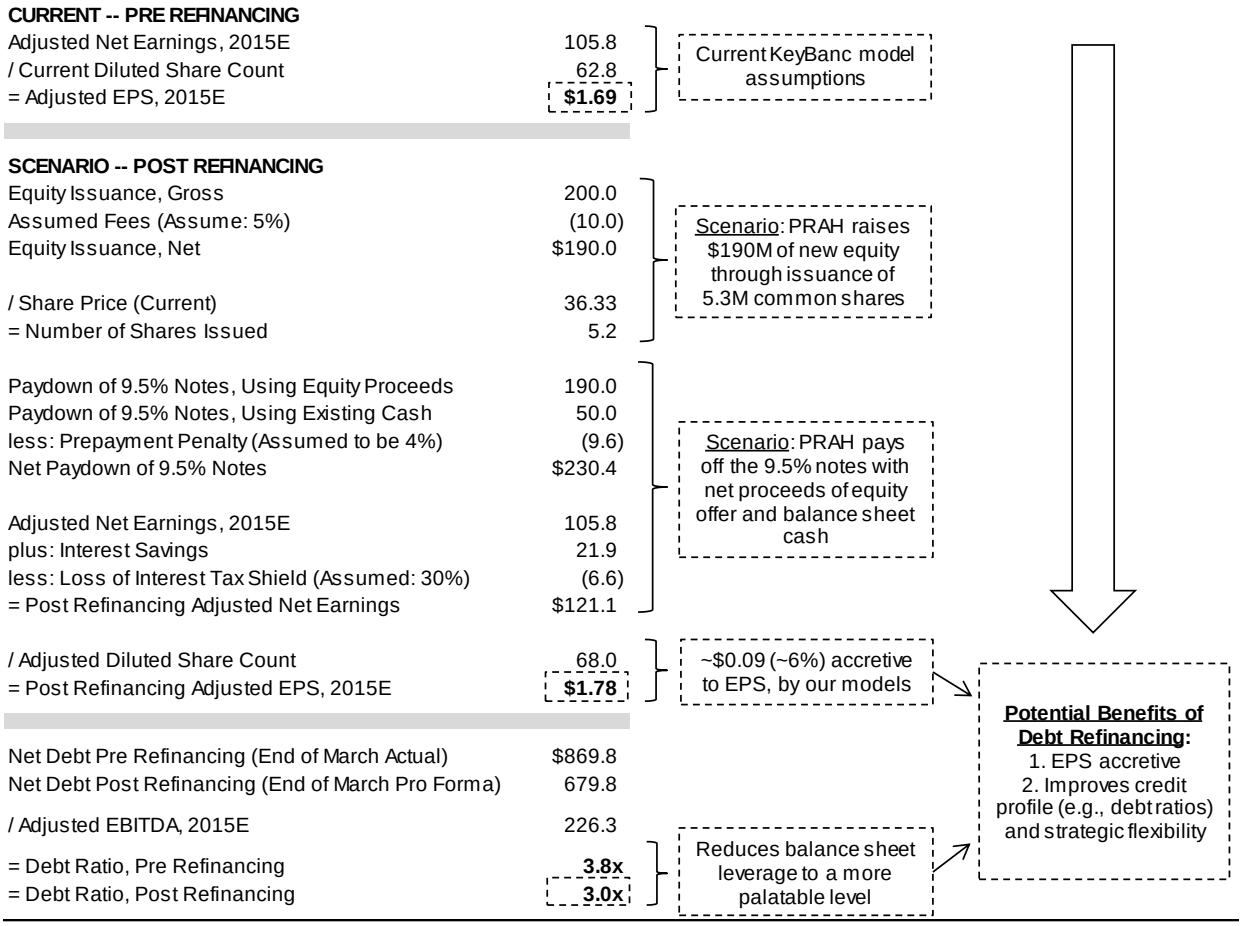
We foresee no near-term liquidity or covenant issues given current favorable market conditions. Also, management has indicated that clients do not seem concerned with PRA's balance sheet. However, this elevated level of indebtedness is nonetheless troubling to us because it relatively limits PRA's ability to opportunistically reinvest in the business. Our preference is for management to prioritize debt reduction. Before any debt prepayments, we calculate PRA generating fixed charge coverage of 1.8x and interest coverage of 2.7x in 2016. Any reduction or a refinancing of the 9.5% senior notes would be additive to these coverage ratios. By comparison, we estimate Quintiles Transnational will report a fixed charge coverage ratio of 2.4x and INC Research of 3.0x. Finally, PRA has access to a $125M revolving line of credit through September 2018. Refer to Figures 12 and 13.

Figure 13: Coverage Materially Improves Following Voluntary Debt Reductions (Base Case Model)

$ in Millions	2014A	2015E	2016E	2017E
Adjusted EBIT	161	204	223	241
plus: Rent Expense (Estimated)	33	34	35	35
= Adjusted EBIT, Pre Rent	$194	$238	$257	$276
Interest Expense (Assuming Debt Reduction)	82	60	56	51
plus: Rent Expense (Estimated)	33	34	35	35
plus: Maintenance Capital Spending (Estimated)	23	25	27	29
plus: Debt Principal Payments (None Scheduled)	0	0	0	0
= Fixed Charges (Estimated)	$138	$119	$118	$116
Fixed Charge Coverage	**1.41x**	**2.01x**	**2.19x**	**2.38x**
Comparison -- Quintiles Transnational		*2.46x*	*2.42x*	
Comparison -- INC Research		*2.99x*	*3.02x*	
Adjusted EBIT	$161	$204	$223	$241
/ Interest Expense (Assuming Debt Reduction)	82	60	56	51
= Interest Coverage	**1.96x**	**3.42x**	**3.98x**	**4.69x**
Comparison -- Quintiles Transnational		*6.30x*	*6.93x*	
Comparison -- INC Research		*9.95x*	*12.30x*	

Source: KeyBanc Capital Markets Inc.

Figure 14: Potential Refinancing Scenario (KBCM Scenario) ($ in Millions, Except per Share)



Note: Market values as of the close of business June 30, 2015.
Source: Company reports and KeyBanc Capital Markets Inc.

VALUATION: BALANCED RISK / REWARD

We are initiating coverage of PRA with a **Sector Weight** rating with the stock trading at 12.5x our 2016 adjusted EBITDA estimate of $252M (consensus: $246 million) and 18.2x our 2016 adjusted EPS estimate of $1.99 (consensus: $1.94). On an EBITDA basis, PRA is trading at a ~6% premium to its CRO peer group (average: 11.7x), reflecting the diversity of its clientele and businesses. PRA has reported less quarterly bookings and revenue volatility than its CRO comparison group, which we expect will continue for the foreseeable future. This stability has been appealing to investors given the sensitivity of biopharmaceutical R&D spending to capital market conditions and ongoing consolidation in the North American and European biopharmaceutical industries. Refer to Figures 15 and 16.

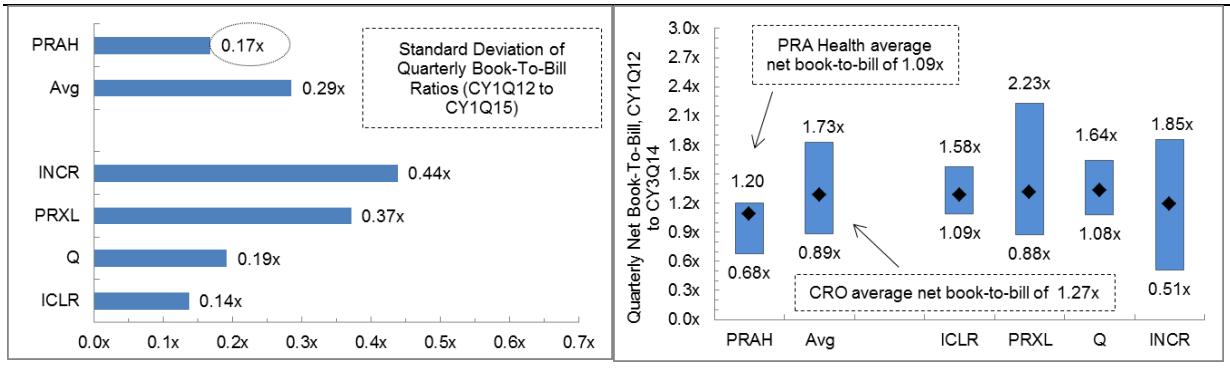
Figure 15: PRA Trading Valuations vs. Other Late-Stage CROs

$ in Millions	KBCM PRAH	Street PRAH	PRIMARY COMPARISONS (CROs) ICLR	INCR	PRXL	Q	Average
Share Price	36.33	36.33	67.30	40.12	64.31	72.61	
x Diluted Share Count	63	63	62	58	56	127	
= Equity Valuation	$2,281	$2,281	$4,163	$2,337	$3,591	$9,254	
plus: Net Debt (Cash)	863	863	(172)	388	87	1,607	
= Enterprise Value	$3,144	$3,144	$3,991	$2,725	$3,678	$10,861	
Multiple of CY16 Revenues	**2.1x**	**2.1x**	**2.3x**	**2.7x**	**1.6x**	**2.3x**	**2.2x**
Multiple of CY16 EBITDA	**12.5x**	**12.8x**	**11.0x**	**13.5x**	**9.7x**	**12.7x**	**11.7x**
Multiple of CY16 EPS	**18.2x**	**18.7x**	**16.5x**	**22.5x**	**18.2x**	**20.6x**	**19.4x**
Revenue Growth, CY16	8.2%	8.9%	8.5%	11.2%	8.2%	8.3%	9.0%
EBITDA Growth, CY16	11.5%	9.7%	10.2%	10.1%	15.9%	11.4%	11.9%
EPS Growth, CY16	18.4%	16.7%	10.8%	16.3%	19.0%	13.8%	15.0%

Note: Market values as of the close of business June 30, 2015.
Source: Company reports and KeyBanc Capital Markets Inc.

Of note, PRA uniquely excludes intangible amortization, stock compensation and losses in unconsolidated joint ventures in its reported adjusted, non-GAAP metrics. Specifically, PRA's adjusted EPS excludes ~$63.0M of annual amortization expense (~$0.62 of EPS) related to prior period acquisitions (e.g., customer and patient relationships and trade names) and deferred financing costs. We think this add-back is appropriate given the magnitude of this expense and the fact that it is non-cash and relates to prior periods. Adding back stock compensation and losses in unconsolidated joint ventures is a bit more debatable. However, both of these items are small—e.g., we project stock compensation expense of ~$3.5 million in 2016 (~$0.04 of EPS)—so, for discussion purposes, we simply refer to the reported multiples.

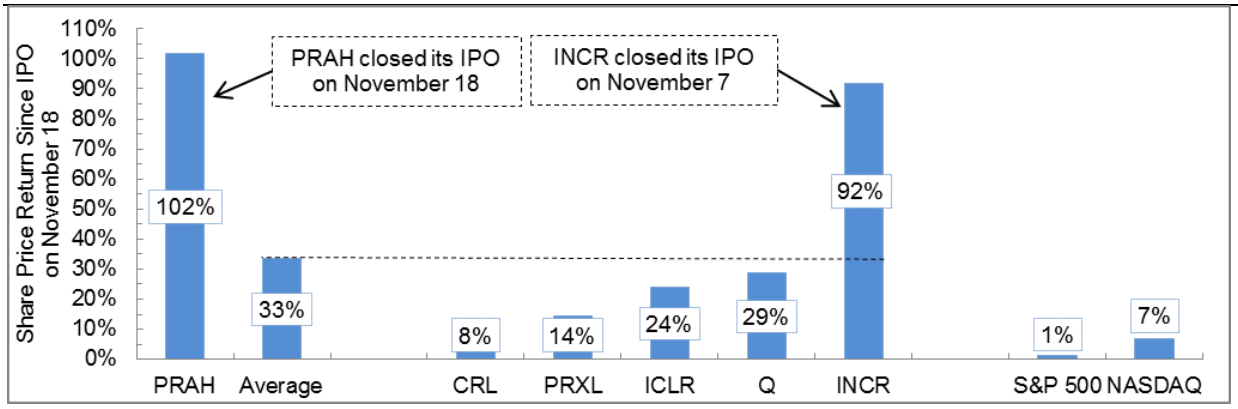
Figure 16: PRA Generates More Stable Top-Line Performance Than Its Peer Group



Source: Company reports and KeyBanc Capital Markets Inc.

In our opinion, PRA's solid execution and relatively stable operating profile has resulted in its share price most than doubling since its IPO in late 2014, more than triple the CRO group average of ~33%. This suggests significant optimism is already baked into the share price. Moreover, there are structural issues to consider, namely*: 1) high proportion of functional outsourcing revenues; 2) elevated debt; and 3) concentrated ownership.* Refer to Figure 17.

Figure 17: PRA Share Price Has Significantly Outperformed the CRO Comparison Group



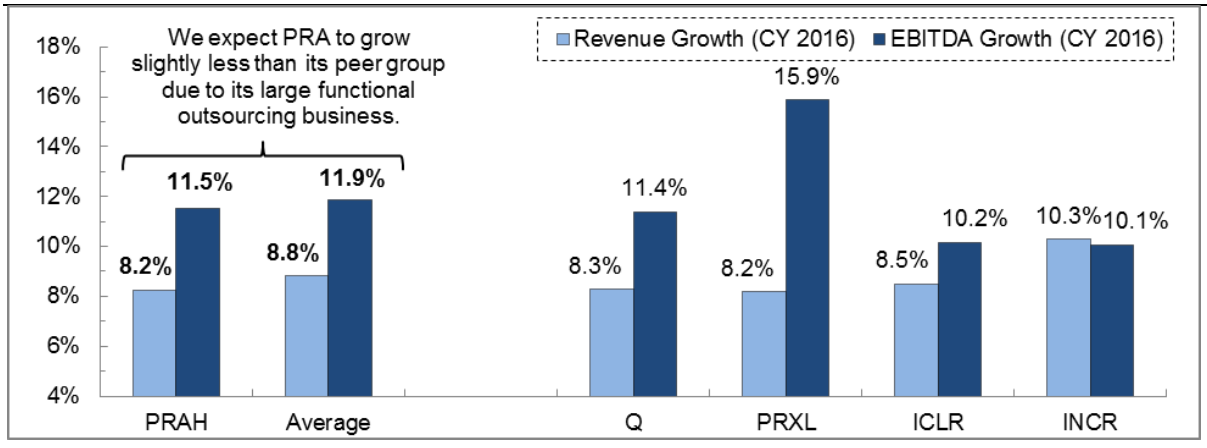
Note: Market values as of the close of business June 30, 2015.
Source: FactSet

1) High Proportion of Functional Outsourcing Revenues

We believe that the most unique characteristic of PRA—vs. its publicly traded CRO peers—is its embedded and functional outsourcing offerings, which accounts for about a third of the Company's revenue base, by our estimates.

In our opinion, it is appropriate to attribute a modestly discounted valuation to functional outsourcing (vs. programmatic outsourcing) given that this is a lower growth and margin business. Functional outsourcing contracts vary greatly, but we think that, over time, functional outsourcing will grow by several hundred basis points less than programmatic outsourcing and that functional contracts generate, on average, several hundred basis points less of profit margin. First, functional outsourcing is more common among larger sponsors, who, in turn, are growing more slowly—i.e., functional outsourcers are not getting the "biotech kick" that programmatic outsourcers are. Second, the increasing complexity of clinical trials, from a therapeutic and regulatory standpoint, clearly favors the programmatic model. Here, programmatic outsourcing has proven itself in numerous case studies as the preferred model since it allows the sponsor to fully use the CRO's specialization and comparable advantages. This was most obviously highlighted by Pfizer's decision to shift from functional to programmatic outsourcing in 2011. Refer to Figure 17.

Figure 18: We Model PRA Generating Less Revenue Growth Than Its Late Stage CRO Peers



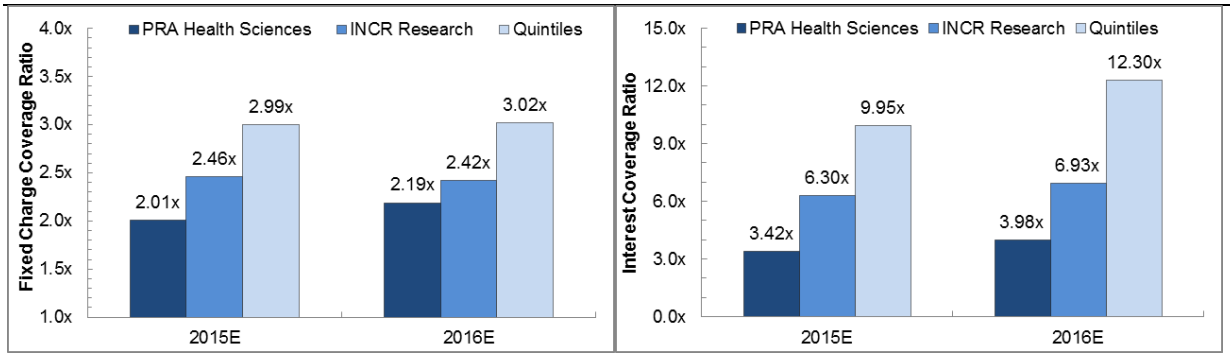
Note: The data above reflects FirstCall consensus estimates, except for PRAH, which reflects KBCM estimates.
Source: Company reports and KeyBanc Capital Markets Inc.

That said, it must also be acknowledged that the end market for functional outsourcing is (theoretically) very large – many multiples of the programmatic outsourcing market. Also, the ability to offer a hybrid programmatic/functional solution allows the sponsor with more customized service, in our view. Sponsors sometimes outsource in a hybrid manner to build rapport with a CRO before transitioning to programmatic engagements. Thus, functional outsourcing deals can serve as a bridge to programmatic engagements such that the *value* of a functional outsourcing award is more than just the contract itself, but rather the *relationship* with the sponsor. Because of this, all the other publicly traded CROs are active in this area to some degree. Notably, for instance, CRO competitor ICON generates ~$230M of revenue or ~15% of its revenues (we estimate) through functional outsourcing arrangements, and has made a number of acquisitions in this area, including *DOCS International* in 2007 for ~$41M (or ~1.6x revenues) and the Clinical Trial Services division of *Cross Country Healthcare* in 2013 for ~$50M (~1.0x).

2) Elevated Balance Sheet Debt

PRA carries significant indebtedness as a result of its acquisition of RPS and CRI Lifetree with a debt ratio (net debt-to-EBITDA) of 4.7x. This is over six times the average debt ratio of the other late-stage CROs at 0.7x. The Company has ample room under its debt covenants to operate. Specifically, we calculate that PRA could absorb $86M of EBITDA downside (40% downside from R4Q EBITDA) before potentially being in violation of its debt agreements.

Figure 19: PRA's Coverage Ratios Considerable Below Peer Group CROs



Source: KeyBanc Capital Markets Inc.

However, from a relative strategic standpoint, PRA has significantly less room to financially maneuver. We calculate that PRA's fixed charge coverage in 2015 (as we define it – refer to Figures 12 and 13 earlier in the report) of 2.10x will be significantly less that its financially leveraged late-stage CRO peers INC Research at 2.46x and Quintiles at 2.99x. Also, competitors ICON and PAREXEL International are not financially leveraged. Refer to Figure 19.

3) Concentrated Ownership

Finally, ownership remains closely held (~66%) by the private equity firm KKR, which could impact how the Company is managed near term. Also, the IPO lock-up period expired in May, which could create a liquidity overhang. The academic literature on valuing minority equity in a controlled company is ambiguous, in our view. Nonetheless, we think it is fair to conclude that some sort of minority discount is appropriate for the public shareholders.

APPENDIX 1: OVERVIEW OF AND OUTLOOK FOR THE CRO INDUSTRY

Summary Overview and History of the CRO Industry

Contract research organizations (CROs) provide outsourcing services that support the discovery, development and marketing of drug therapies (and medical devices). We believe global spending on biopharmaceutical research and development (R&D) and sales and marketing by commercial drug developers, governments and academic researchers approaches ~$200B annually, of which we estimate only ~$30B (~15%) is outsourced to CROs. This sizeable opportunity, coupled with an increasing propensity by biopharmaceutical developers to outsource activities that can be more efficiently and effectively performed by third parties, should comfortably support a mid/high single-digit growth rate for the CRO industry in the coming years, in our opinion. Refer to Figure 20.

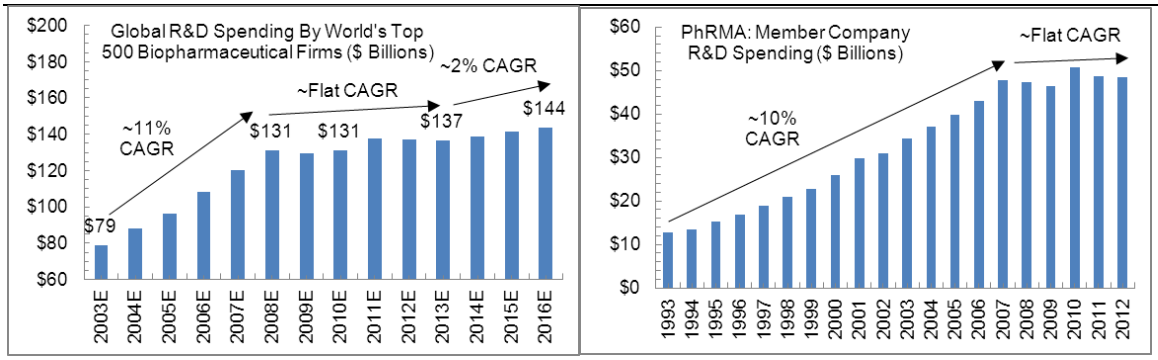
Figure 20: CROs Offer Outsourcing Services to Several End Markets (R&D Spending in 2012)

Major Biopharmaceutical Customers		Medical Device / Life Sciences Customers
Novartis, $8.8 Billion	Amgen, $3.4 Billion	Medtronic, $1.5 Billion
Roche, $8.0 Billion	Bayer, $2.5 Billion	Baxter, $1.1 Billion
Merck & Co, $7.9 Billion	Gilead Sciences, $1.7 Billion	Boston Scientific, $0.9 Billion
Pfizer, $7.0 Billion	Celgene Corporation, $1.6 Billion	Covidien, $0.6 Billion
Sanofi, $6.1 Billion	Biogen Idec, $1.3 Billion	CSL Limited, $0.4 Billion
Johnson & Johnson, $5.4 Billion	Vertex Pharmaceuticals, $0.7 Billion	
GlaxoSmithKline, $5.3 Billion	Actelion, $0.5 Billion	**Academic / Government Customers**
Eli Lilly, $5.1 Billion	CSL, $0.4 Billion	U.S. National Institute of Health, $30.1 Billion
AstraZeneca, $4.5 Billion	BioMarin Pharma, $0.3 Billion	King's College London, $0.8 Billion
Takeda, $3.9 Billion	Cubist Pharma, $0.3 Billion	Duke Clinical Research Initiative, $0.6 Billion
Bristol-Myers Squibb, $3.6 Billion	Alexion Pharma, $0.2 Billion	

Source: Company Filings and KeyBanc Capital Markets Inc.

In the 1970s and 1980s, CROs functioned mainly as a backstop for spillover projects from the biopharmaceutical industry. This changed in the mid-1990s, with a groundswell of biotechnology firms backed with large amounts of investment capital. These new biotechnology firms had limited internal capacity, so many turned to CROs for research infrastructure. This new source of revenue enabled CROs to reinvest in modern facilities, advanced information technology systems and human capital. By the late 1990s, the top CROs had grown to thousands of workers with therapeutic expertise and global networks of facilities, rivaling the infrastructure of the major biopharmaceutical firms. With newfound clout, CROs began to be engaged more strategically by the biopharmaceutical industry through long-term preferred provider arrangements and, in some cases, as full extensions of in-house R&D departments.

Figure 21: Biopharmaceutical R&D Spending Negatively Impacted by 2008 Capital Market Crisis

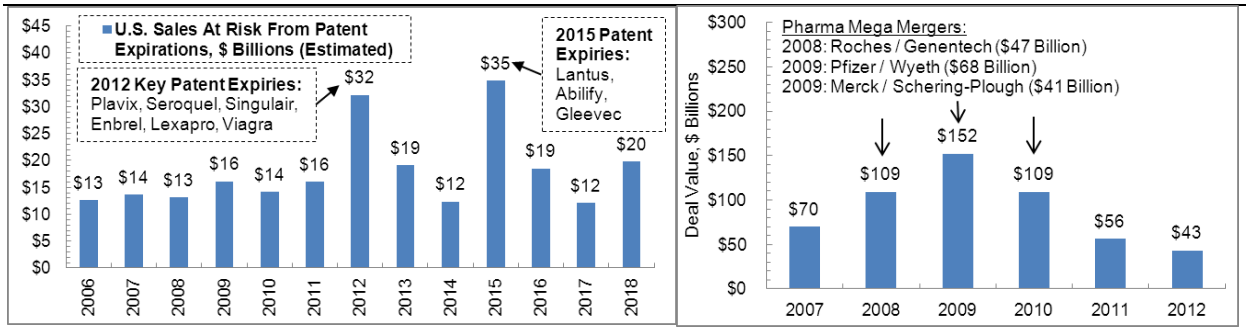


Source: EvaluatePharma (May 2013) and PhRMA Annual Survey 2013

In the 2000s, CROs were generating high single-digit growth in a favorable funding environment for biopharmaceutical research. However, with the capital market crisis in 2008, funding dried up (particularly for more speculative, early-stage projects). Also, biopharmaceutical firms were facing a wave of patent expirations starting in

2012 (the "patent cliff"). With weak funding and an anticipated reduction in sales from patent expiries, the biopharmaceutical industry went through several years of consolidation and R&D rationalization. This left many CROs with unused capacity, and CROs were forced to cut prices and downsize surplus facilities. During this period, several well-regarded, publicly traded CROs (e.g., Kendle International and Pharmaceutical Product Development) were taken private by private equity investors to restructure. Refer to Figures 21, 22, and 23.

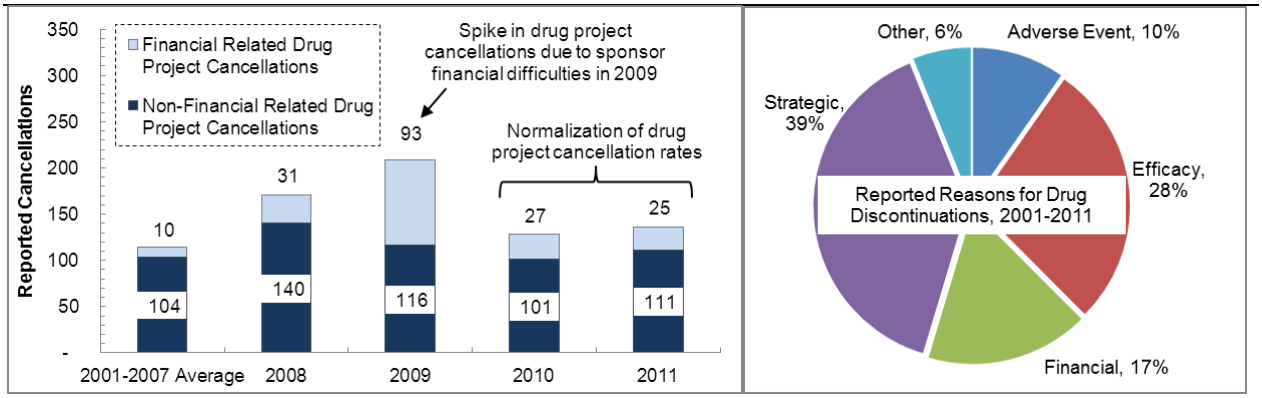
Figure 22: R&D Pipelines Cut (from 2009 to 2012) by Pharma Mega Mergers and Patent Cliff



Source: Biotech and Pharma 2012 Year in Review and Evaluate Pharma and Company reports

We think that CROs have now significantly right-sized their operations after three-plus years of downsizing. Also, the funding environment for biopharmaceutical R&D has materially improved, as evidenced by pharmaceutical and biotech equity valuations (at multi-year highs) and the flow of new capital raises by small/mid-sized biotech/drug developers. In 2012 there were ~4,028 drugs in formal U.S. Food and Drug Administration (FDA) clinical trials, up ~18% since 2008, and FDA approvals have almost doubled since 2010. All of the management teams that we have contacted have reported a pick-up in new orders and proposals over the past several quarters.

Figure 23: R&D Project Cancellations Have Normalized Since 2009



Note: The data above is a sample of clinical trial cancellations and the reasons for the cancellation. Most cancellations are not announced and/or explained by the sponsor. Source: Citeline Analytics

CROs Positioned for Mid-Single-Digit Growth in a Recovering Marketplace

Looking ahead, our models assume baseline annual revenue growth for the CRO industry of ~6%, driven by: 1) global biopharmaceutical R&D spending (+2% annually); and 2) an increasing level of outsourcing to CROs (+4%). We believe this baseline growth is consistent with current trends, although investors should expect year-to-year volatility depending on deal timing and capital market conditions. Also, investors should anticipate larger CROs with global scale to gain market share and grow several hundred basis points faster than the baseline.

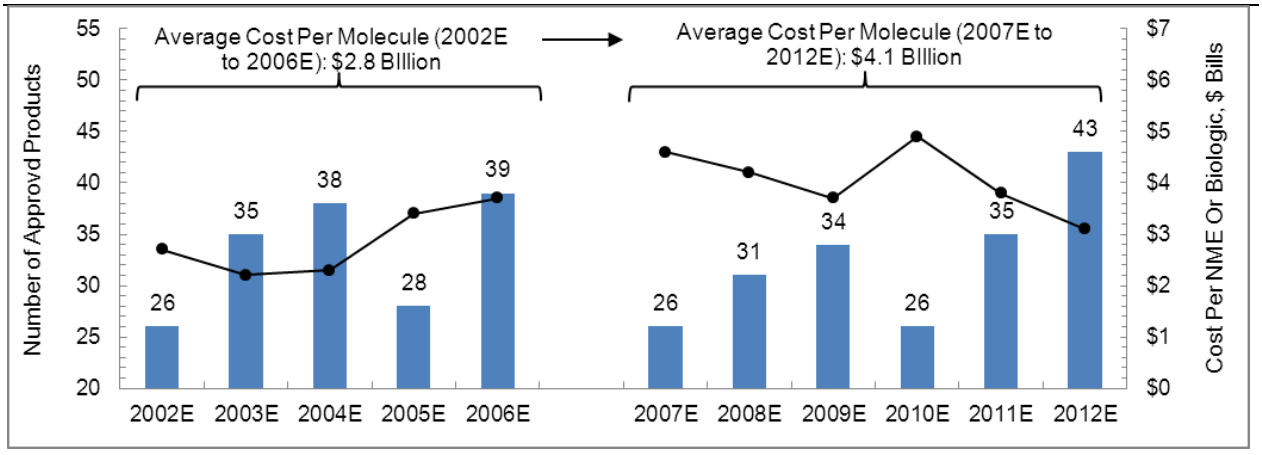
Importantly, our baseline outlook presumes the biopharmaceutical industry continues to face pressures to operate more efficiently. By all measures, the costs of drug development are steadily increasing. Currently, the investment required to develop one successful drug from discovery through commercialization averages ~$1.1B (ranging widely from $315M-$2.2B), and the regulatory approval process can take more than a decade, according to a study by

Deloitte and Thomson Reuters. Including the costs of failed drugs, we think a biopharmaceutical firm needs to spend ~$4B, on average, to discover, develop and commercialize one drug. Refer to Figures 24, 25 and 26.

In addition, we expect various other factors will drive the greater use of CROs, including: 1) the growing complexity of new therapies; 2) the globalization of clinical research; and 3) rising data requirements.

- *Growing Complexity of New Therapies.* Clinical trials have become more complex with the rise of biologics and genetically targeted therapies ("personalized medicine"). This is necessitating expertise in genomics, companion diagnostics, and biomarkers, which is costly and difficult for a single drug developer to maintain.
- *The Globalization of Clinical Research.* Biopharmaceutical firms have increasingly shifted their R&D spending to emerging markets to access new patient populations and conduct clinical trials at lower costs. Also, some regulators are now requiring localized data to better understand epidemiological and physiological differences of ethnic populations. This requires a global infrastructure, which is not practical for one drug sponsor to maintain.
- *Rising Data Requirements.* The design/planning of clinical research is also becoming more multifaceted as the shift to value-based reimbursement is requiring drug developers to understand new categories of data related to the comparative economics of different therapies, as well as the relative quality of clinical outcomes.

Figure 24: Increasing Costs of Drug Development Will Drive More Outsourcing to CROs



Source: EvaluatePharma and PriceWaterHouseCoopers Analysis

Given these factors, we expect that well-capitalized global CROs with integrated service offerings will gain market share and outgrow the baseline CRO growth rate by several hundred basis points. The CRO market still remains highly fragmented with hundreds of niche CROs vying for business from a concentrated end market of biopharmaceutical customers. Over the past decade, larger ("one-stop shop") CROs have consistently gained market share due to their ability to scale (and cross sell) therapeutic expertise, facilities and information technology. Also, large CROs with global infrastructure can opportunistically operate across different geographies to reduce clinical trial costs and accelerate enrollments. We see no reason why this trend would change, particularly as clinical research steadily becomes more globalized, complex and data intensive.

Figure 25: The Complexity of Clinical Trials Has Increased Over the Past Decade

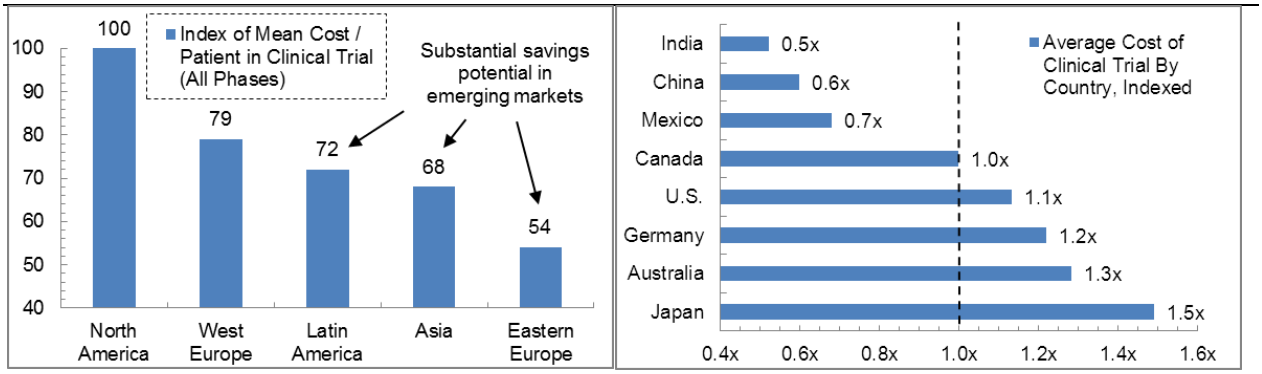
	Phase II Studies			Phase III Studies		
Clinical Trial Protocols	**2000-03**	**2008-11**	***Increase***	**2000-03**	**2008-11**	***Increase***
Number of Unique Procedures (Median)	21.6	34.3	*58.8%*	20.0	28.6	*43.0%*
Number of Total Procedures (Median)	117.1	192.1	*64.0%*	93.6	146.6	*56.6%*

Source: Tufts Center for the Study of Drug Development

Moreover, we view larger, integrated CROs as best positioned to gain market share through strategic partnerships with biopharmaceutical sponsors. Sponsors are increasingly rationalizing their CRO relationships around core "one-stop shop" strategic partners. By allocating larger portions of their R&D pipeline over multi-year periods to a small

group of core CROs, biopharmaceutical sponsors can negotiate volume-based (lower) pricing. Moreover, by working more strategically with select CROs, sponsors are much more able to affect process change and efficiencies, which is often less practical when working with multiple competing CROs.

Figure 26: Clinical Research Operating Costs Vary Dramatically by Geography



Note: Cost per patient represents the cost negotiated with an investigator to complete all protocols for a patient. Costs include procedures, personnel, travel and overhead. Conditional procedures as well as site cost are not included.
Source: IMS Health and KPMG ("Competitive Alternatives: KPMG's Guide to International Business Location Costs")

For the CRO, these strategic, long-term relationships are important sources of shareholder value. Initially, in our view, strategic relationships are a simple trade-off between higher volumes and lower pricing (margins). However, over time, strategic partnerships lock in large volumes of business for the CRO, allowing for improved resource planning—i.e., mitigating the use of (expensive) third-party subcontractors and the need for sales and marketing expenses at contract renewals. Also, we think margins can expand over time as the CRO becomes more efficient with sponsor policies and processes. This is particularly the case when contracts include performance bonuses around operational outcomes—e.g., time to completion, patient recruiting and trial costs. Finally, practically, strategic relationships tend to expand in scope over time as the sponsor and the CRO become more comfortable with each other.

APPENDIX 2: THE BIOPHARMACEUTICAL DEVELOPMENT LIFECYCLE

The biopharmaceutical industry is subject to oversight from a variety of regulatory agencies, with each country having its own policies and processes with respect to the research and marketing of biopharmaceutical products. However, most countries follow the pattern set by the United States. In the United States, the biopharmaceutical industry is regulated primarily by the Food and Drug Administration (FDA). Other notable regulatory agencies include the Medicines and Healthcare Products Regulatory Agency in the United Kingdom, the European Medicines Agency in the European Union, and the Pharmaceuticals and Medical Device Agency in Japan.

Figure 27: Multiple Steps to Achieve Regulatory Approval of a New Drug Therapy

OVERVIEW OF REGULATORY PROCESS		No. of Products in R&D Pipeline
Discovery Research	Screening of chemical compounds for further investigation	
Preclinical Research	Laboratory tests (non-human) for drug safety and early efficacy	5,000
Investigational New Drug ("IND")	Submission to FDA for permisssion to conduct human tests	
Phase I Clinical Trial	Testing for drug safety in undiseased humans	5
Phase II Clinical Trial	Testing for efficacy (and safety) in diseased humans	4
Phase III Clinical Trial	Final testing in humans over extended period time	2
New Drug Application ("NDA")	Submission for approval for commercial marketing to public	1
Phase IV Clinical Trial	Various studies of a drug after FDA approval	

Source: KeyBanc Capital Markets Inc.

Specifically, in the United States a drug sponsor must first submit an IND (Investigational New Drug) to the FDA that demonstrates that a particular chemical compound can be safely tested in humans. The IND submission includes (among other elements) data from *in vivo* and *in vitro* preclinical pharmacology and toxicology studies. Following IND approval, the sponsor proceeds with human testing in three successive study phases (*Phases I to III*). If the drug proves to be safe and efficacious through each phase, the sponsor can then file an NDA (New Drug Application) with the FDA in order to market the drug to the public. Refer to Figures 27 and 28.

Figure 28: History of FDA Regulated Drug Submissions and Approvals (2002-2012)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Drugs in Preclinical Testing	3,664	4,087	3,906	3,808	3,643	4,524	4,915	4,810	5,254	5,247	5,106
Companies with Active Projects	1,503	1,576	1,621	1,633	1,769	1,965	2,084	2,207	2,387	2,705	2,745
Number of IND Submissions	2,374	2,120	1,837	1,651	1,889	1,812	1,876	1,379	1,200	1,285	1,109
Number of NDA Submissions	105	110	128	111	120	121	147	136	111	112	130
Number of NDA Approvals	78	72	113	78	97	68	89	90	91	88	94

Source: Citeline (Pharmaprojects/Pipeline) and the U.S. Food and Drug Administration (FDA)

Discovery and Preclinical Research

The first stage of biopharmaceutical R&D is to identify chemicals (typically proteins) and/or genetics that are the root cause of a targeted disease and to screen prospective drugs for possible benefits. Scientists/pharmacologists rely on their knowledge of chemistry and past experience with existing/similar drugs to rank candidate compounds for further study. Eliminating chemical compounds as early as possible is critical to the economics of the drug development process because putting a chemical through preclinical and clinical testing is very expensive. Most discovery work is done in-house by the biopharmaceutical industry; however, in recent years biopharmaceutical firms have started to outsource various discovery related activities to CROs.

With a focused list of candidate compounds, biopharmaceutical researchers can begin formal preclinical (pre-human) testing to narrow down candidates for further study. Preclinical studies include *in vivo* (animal models) and/or *in vitro* (test tube) testing to assess pharmacokinetics (i.e., how a chemical is metabolized), pharmacodynamics (i.e., how a chemical acts on the human body) and toxicology (i.e., its safety profile). If preclinical testing shows safety and early

efficacy, the drug sponsor may submit an IND to the FDA. In addition to preclinical testing data, the IND application contains information related to the chemical composition and manufacturing methods to demonstrate that the sponsor can produce consistent and active batches of the drug. In total, preclinical testing and IND approval can last up to four years, and ~1 in 1,000 (0.1%) prospective drugs proceed to human testing.

Clinical (Human) and Post-Approval Services

Phase I Clinical Trials

A *Phase I* (first-in-human) clinical trial is the first time that a prospective chemical compound is tested in a human being. The goal of the *Phase I* trial is to determine whether the chemical is safe and what side effects occur at varying dosages. For a *Phase I* clinical trial, the sponsor typically enrolls a small group of healthy individuals (e.g., 20-80)—i.e., individuals who do not have the targeted disease (with a few exceptions, such as in cancer or psychiatry studies). Patients are paid by the drug sponsor, and are closely monitored by physicians. The typical *Phase I* study lasts less than a year, and most drugs (~70%) pass *Phase I* testing.

Phase II Clinical Trials

A *Phase II* clinical trial is the first time that an investigational product is tested in a human with the targeted disease. A *Phase II* trial builds on the safety testing in *Phase I*, but also evaluates the clinical efficacy of a prospective drug at varying dosages and schedules. These studies typically consist of a larger population of individuals (e.g., 100-300), and are randomized into test groups to compare outcomes against placebo and/or the current standard medical treatment. The normal testing period for a *Phase II* study is generally less than two years. About one-third (~30%) of prospective drugs successfully pass both *Phase I* and *Phase II* studies.

Phase III Clinical Trials

A *Phase III* clinical trial is the final step before a prospective drug is submitted to the FDA for approval. *Phase III* trials are much more comprehensive, involving larger patient populations (up to 3,000) and extended periods of time (up to four years). Because of their size and duration, *Phase III* trials are the most costly and difficult to run. If the *Phase III* trial shows that a drug is effective, the sponsor may also choose to run a parallel *Phase IIIa* trial to gather data on specific groups (e.g., pregnant women, renal failure subjects, etc.) or on other circumstances as dictated by the nature of the medicine. These trials often provide much of the information needed for labeling.

If the investigational product drug is shown to be safe and efficacious, the sponsor then submits an NDA with the FDA to receive approval for sale to the public. The FDA's review period for an NDA can last months to years, although there are initiatives in place to accelerate the review in certain circumstances. Notably, during the NDA review period, a sponsor may initiate a *Phase IIIb* or *peri-approval* study to add data to support incremental product claims.

Phase IV Clinical Trials (Post-Marketing Surveillance)

A *Phase IV* clinical trial occurs after a drug has been approved by the FDA for sale. Sometimes the FDA will order the drug sponsor to conduct additional tests of side effects or other issues. Or, sometimes the sponsor may want to evaluate different formulations, dosages, and durations of treatment. Also, with the rise of value-based reimbursement models (accountable care organizations and consumerism), sponsors may pursue additional studies for marketing purposes.

APPENDIX 3: OVERVIEW EXECUTIVE MANAGEMENT

Figure 29: Overview of Executive Management

Name	Title / Function	Background
Colin Shannon	Chief Executive Officer	Colin Shannon joined PRA in 2007, serving first as President and Chief Operating Officer. In January 2010, Mr. Shannon was named PRA's President and Chief Executive Officer. Prior to PRA, Mr. Shannon was Executive Vice President, Global Clinical Operations at Pharmaceutical Product Development (now known as PPD). During his 12 year tenure with PPD, he held various leadership roles, including Chief Operating Officer for its European division and Chief Financial and Administration Officer for Europe and the Pacific Rim. Prior to joining PPD, Mr. Shannon had more than 15 years of experience in a variety of financial and accounting positions in the utility and multimedia industries.
Linda Baddour	Chief Financial Officer	Linda Baddour joined PRA in 2007 as Executive Vice President and Chief Financial Officer. Before joining PRA, Ms. Baddour was Chief Financial Officer at PPD from 2002 to 2007, Chief Accounting Officer from 1997 to 2002 and Corporate Controller from 1995 to 1997.
Paul Bunch, Ph.D., PMP	Executive VP of Operations	Paul Bunch, Ph.D., PMP, serves as PRA Health Sciences' Executive Vice President of Operations. Prior to joining PRA, Dr. Bunch served as Vice President of Global Project Management at CSL Behring, where he managed R&D delivery and governed their R&D project portfolio. While in executive leadership roles at Covance, Merck and Eli Lilly, Dr. Bunch focused on strategy development, operational delivery, process improvement and change leadership.
David Dockhorn, Ph.D.	Executive VP and Compliance Officer	David Dockhorn, Ph.D. serves as Executive Vice President and Compliance Officer, with responsibility for the following global departmernts: Regulatory Affairs, Quality Assurance, the Project Management Office, and Process Management. Prior to this role, Mr. Dockhorn served as the Company's Executive VP of Product Registration - The Americas. He joined PRA in 1997 as VP of Operations and Regional Director of the Lenexa, KS operations.
Willem Jan Drijfhout, Ph.D.	Executive VP of Operations	Willem Jan Drijfhout, Ph.D. serves as Executive Vice President of Early Development Services and heads all early phase development and bioanalytical laboratory work for PRA. Dr. Drijfhout was Chief Scientific Officer for Pharma Bio-Research prior to it being acquired by PRA.
Tami Klerr	Executive VP of Business Development	Tami Klerr is Executive Vice President of Business Development. Ms. Klerr jointed PRA from InfaCare Pharmaceutical Corporation where she held the position of Vice President of Clinical Operations. Prior to that, Ms. Klerr spent 13 years with Pharmaceutical Product Development, Inc. (PPD) in a variety of senior roles in business development, key account management, and operations.

Source: Company reports

APPENDIX 4: FINANCIAL MODELS

Figure 30: Projected Income Statements

PRAH -- GAAP Income Statement (in millions)	2013A	2014A	Fiscal Year End, December 2015 1QA	2QE	3QE	4QE	2015E	Fiscal Year End, December 2016 1QE	2QE	3QE	4QE	2016E
Net Service Revenues	832.9	1,266.6	332.0	343.5	352.1	356.1	1,383.7	360.2	372.7	380.2	384.6	1,497.7
Reimbursement Revenues	158.4	193.0	56.6	55.0	57.4	56.7	225.8	58.8	60.2	61.5	62.1	242.5
Total Revenues	**$991.3**	**$1,459.6**	**$388.6**	**$398.5**	**$409.5**	**$412.9**	**$1,609.4**	**$419.0**	**$432.9**	**$441.7**	**$446.7**	**$1,740.3**
Y-O-Y Growth %	*39.5%*	*47.2%*	*9.5%*	*11.5%*	*8.5%*	*11.6%*	*10.3%*	*7.8%*	*8.6%*	*7.9%*	*8.2%*	*8.1%*
less: Direct Costs	(526.9)	(859.2)	(219.0)	(226.2)	(231.5)	(233.8)	(910.5)	(235.8)	(244.0)	(248.9)	(251.8)	(980.4)
less: Reimbursement Revenues	(158.4)	(193.0)	(56.6)	(55.0)	(57.4)	(56.7)	(225.8)	(58.8)	(60.2)	(61.5)	(62.1)	(242.5)
Gross Income	**$306.0**	**$407.4**	**$113.0**	**$117.3**	**$120.6**	**$122.3**	**$473.1**	**$124.4**	**$128.7**	**$131.3**	**$132.9**	**$517.3**
Gross Margin, % of service revenue	*36.7%*	*32.2%*	*34.0%*	*34.1%*	*34.2%*	*34.3%*	*34.2%*	*34.5%*	*34.5%*	*34.5%*	*34.5%*	*34.5%*
less: Selling, General, and Admin.	(212.6)	(254.0)	(60.8)	(62.9)	(64.2)	(64.9)	(252.9)	(64.6)	(66.8)	(68.2)	(68.9)	(268.5)
less: Depreciation and Amortization	(50.5)	(96.6)	(19.2)	(19.6)	(19.7)	(19.8)	(78.4)	(20.5)	(20.8)	(20.9)	(21.0)	(83.2)
less: Other	(76.9)	(0.0)	-	-	-	-	-	-	-	-	-	-
Operating Income	**($34.0)**	**$56.8**	**$32.9**	**$34.7**	**$36.6**	**$37.6**	**$141.9**	**$39.3**	**$41.2**	**$42.3**	**$42.9**	**$165.7**
plus: Interest Income (Expense)	(56.4)	(81.9)	(15.4)	(15.2)	(14.7)	(14.5)	(59.8)	(14.3)	(14.3)	(13.8)	(13.5)	(55.8)
plus: FX Gains (Losses)	(7.8)	10.5	9.1	-	-	-	9.1	-	-	-	-	-
plus: Other, Net	(28.2)	(27.3)	(0.5)	-	-	-	(0.5)	-	-	-	-	-
Pretax Income	(126.4)	(41.9)	26.1	19.6	21.9	23.1	90.7	25.0	26.9	28.5	29.4	109.9
less: Provision For Taxes	39.3	8.2	(8.0)	(5.9)	(6.6)	(6.9)	(27.4)	(7.3)	(7.8)	(8.3)	(8.5)	(31.9)
Net Income Before Unconsolidated Equity	(87.1)	(33.7)	18.1	13.7	15.3	16.2	63.3	17.8	19.1	20.2	20.9	78.0
plus: Gains From Unconsolidated JV's	(1.2)	(2.0)	(0.9)	-	-	-	(0.9)	-	-	-	-	-
Net Income	(88.3)	(35.7)	17.2	13.7	15.3	16.2	62.4	17.8	19.1	20.2	20.9	78.0
Diluted EPS (GAAP)	**($2.23)**	**($0.83)**	**$0.27**	**$0.22**	**$0.24**	**$0.26**	**$0.99**	**$0.28**	**$0.30**	**$0.32**	**$0.33**	**$1.24**
Diluted Share Count	*39.6*	*42.9*	*62.8*	*62.8*	*62.8*	*62.8*	*62.8*	*62.8*	*62.8*	*62.8*	*62.8*	*62.8*
Non-GAAP Metrics												
Net Revenues	$832.9	$1,266.6	$332.0	$343.5	$352.1	$356.1	$1,383.7	$360.2	$372.7	$380.2	$384.6	$1,497.7
Year-Over-Year Growth (%)	*39.5%*	*52.1%*	*6.6%*	*10.3%*	*10.0%*	*10.0%*	*9.2%*	*8.5%*	*8.5%*	*8.0%*	*8.0%*	*8.2%*
Adjusted EBITDA	$130.6	$182.8	$55.7	$55.1	$57.2	$58.2	$226.3	$60.7	$62.8	$64.1	$64.8	$252.4
Adjusted EBITDA Margin	*15.7%*	*14.4%*	*16.8%*	*16.0%*	*16.2%*	*16.3%*	*16.4%*	*16.8%*	*16.8%*	*16.8%*	*16.8%*	*16.8%*
Adjusted Earnings Per Share	$0.61	$1.26	$0.41	$0.40	$0.43	$0.44	$1.69	$0.47	$0.49	$0.51	$0.52	$1.99
Year-Over-Year Growth (%)	*n/a*	*105.6%*	*85.9%*	*n/a*	*n/a*	*25.7%*	*33.6%*	*14.5%*	*22.2%*	*19.0%*	*17.9%*	*18.4%*

Source: Company reports and KeyBanc Capital Markets Inc.

Figure 31: Projected Balance Sheets

PRAH -- Balance Sheet (in millions)	2013A	2014A	Fiscal Year End, December 2015 1QA	2QE	3QE	4QE	2015E	Fiscal Year End, December 2016 1QE	2QE	3QE	4QE	2016E
Cash and Cash Equivalents	72	85	64	90	103	117	117	119	149	166	183	183
Accounts Receivable, Net	295	339	372	360	369	373	373	404	391	398	403	403
Other Current Assets	90.9	67.2	68.3	70.1	71.8	72.7	72.7	74.1	76.0	77.6	78.5	78.5
Total Current Assets	$458	$491	$505	$520	$544	$563	$563	$597	$616	$642	$665	$665
Net PP&E	76	73	73	75	78	80	80	81	82	83	85	85
Goodwill and Intangibles	1,799	1,634	1,590	1,576	1,562	1,548	1,548	1,534	1,520	1,506	1,492	1,492
Other Assets	62	42	38	38	39	40	40	41	42	42	43	43
Total Assets	**$2,395**	**$2,241**	**$2,205**	**$2,209**	**$2,223**	**$2,231**	**$2,231**	**$2,253**	**$2,259**	**$2,274**	**$2,284**	**$2,284**
Current Debt	19	-	-	-	-	-	-	-	-	-	-	-
Payables and Accrued Expenses	147	155	182	188	193	195	195	198	204	208	211	211
Advance Billings	296	296	291	301	308	312	312	316	326	333	337	337
Other Current Liabilities	7.6	14.3	-	-	-	-	-	-	-	-	-	-
Total Current Liabilities	$469	$466	$473	$489	$501	$507	$507	$514	$531	$541	$548	$548
Long Term Debt	1,246	949	934	908	895	881	881	879	849	832	815	815
Other Liabilities	212	150	150	150	150	150	150	150	150	150	150	150
Shareholders Equity	467	677	648	662	677	693	693	711	730	750	771	771
Liabilities & Shareholders' Equity	**$2,395**	**$2,241**	**$2,205**	**$2,209**	**$2,223**	**$2,231**	**$2,231**	**$2,253**	**$2,259**	**$2,274**	**$2,284**	**$2,284**

Source: Company reports and KeyBanc Capital Markets Inc.

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Figure 32: Projected Cash Flow Statements

PRAH -- Cash Flow Statement (in millions)	2013A	2014A	Fiscal Year End, December 2015 1QA	2QE	3QE	4QE	2015E	Fiscal Year End, December 2016 1QE	2QE	3QE	4QE	2016E
Net Earnings	(88)	(36)	17	14	15	16	62	18	19	20	21	78
Depreciation	18	22	5	5	6	6	22	6	7	7	7	27
Amortization	32	74	14	14	14	14	56	14	14	14	14	56
Changes in Working Capital	23	5	(27)	26	1	1	2	(26)	29	1	1	5
Other Non-Cash Items	40	(43)	(6)	(1)	(1)	(1)	(9)	(1)	(1)	(1)	(1)	(3)
Cash Flows from Operations	**$25**	**$23**	**$3**	**$59**	**$36**	**$36**	**$134**	**$12**	**$68**	**$42**	**$42**	**$163**
Capital Expenditures	(20)	(27)	(8)	(8)	(8)	(8)	(32)	(8)	(8)	(8)	(8)	(31)
Acquisitions (Divestitures), Net	(1,055)	-	-	-	-	-	-	-	-	-	-	-
Other	(5)	15	-	-	-	-	-	-	-	-	-	-
Cash Flows from Investing	**($1,079)**	**($12)**	**($8)**	**($8)**	**($8)**	**($8)**	**($32)**	**($8)**	**($8)**	**($8)**	**($8)**	**($31)**
Cash Dividends	(132)	-	-	-	-	-	-	-	-	-	-	-
Change in Debt	789	(319)	(15)	(25)	(14)	(14)	(68)	(2)	(30)	(17)	(17)	(66)
Change in Capital Stock	471	367	(1)	-	-	-	(1)	-	-	-	-	-
Other	(50)	(40)	-	-	-	-	-	-	-	-	-	-
Cash Flows from Financing	**$1,078**	**$8**	**($16)**	**($25)**	**($14)**	**($14)**	**($69)**	**($2)**	**($30)**	**($17)**	**($17)**	**($66)**
plus: Impact of Exchange Rates	(0)	(6)	(1)	-	-	-	(1)	-	-	-	-	-
Net Increase in Cash [Period]	**$23**	**$13**	**($21)**	**$25**	**$14**	**$14**	**$32**	**$2**	**$30**	**$17**	**$17**	**$66**
Net increase in Cash YTD	23	13	(21)	4	18	32	32	2	32	49	66	66
Cash and Cash Equivalents	**$72**	**$85**	**$64**	**$90**	**$103**	**$117**	**$117**	**$119**	**$149**	**$166**	**$183**	**$183**

Source: Company reports and KeyBanc Capital Markets Inc.

Disclosure Appendix

PRA Health Sciences, Inc. - PRAH

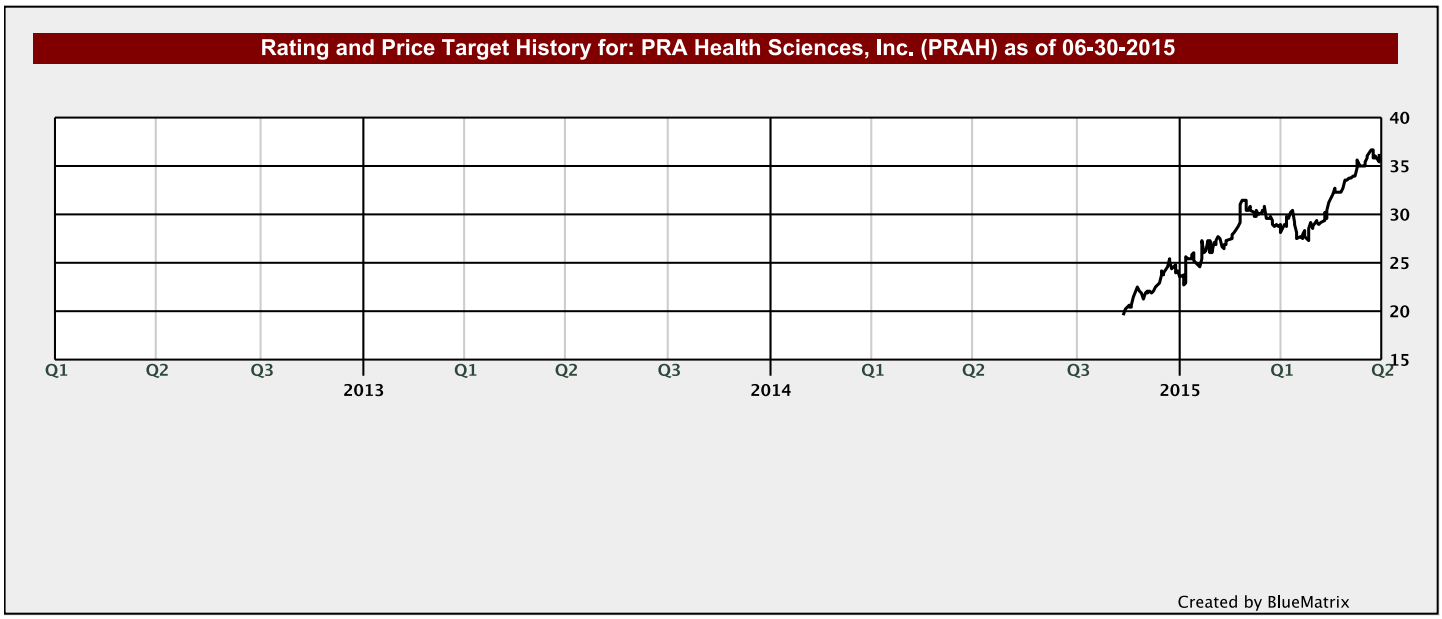
We expect to receive or intend to seek compensation for investment banking services from PRA Health Sciences, Inc. within the next three months.

As of the date of this report, we make a market in PRA Health Sciences, Inc..

Reg A/C Certification

The research analyst(s) responsible for the preparation of this research report certifies that:(1) all the views expressed in this research report accurately reflect the research analyst's personal views about any and all of the subject securities or issuers; and (2) no part of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this research report.

Three-Year Rating and Price Target History



Rating Disclosures

Distribution of Ratings/IB Services Firmwide and by Sector

KeyBanc Capital Markets

Rating	Count	Percent	IB Serv/Past 12 Mos. Count	IB Serv/Past 12 Mos. Percent
Overweight [OW]	360	46.51	81	22.50
Sector Weight [SW]	396	51.16	70	17.68
Underweight [UW]	18	2.33	0	0.00

HEALTHCARE

Rating	Count	Percent	IB Serv/Past 12 Mos. Count	IB Serv/Past 12 Mos. Percent
Overweight [OW]	19	46.34	3	15.79
Sector Weight [SW]	20	48.78	5	25.00
Underweight [UW]	2	4.88	0	0.00

Rating System

Overweight - We expect the stock to outperform the analyst's coverage sector over the coming 6-12 months.

Sector Weight - We expect the stock to perform in line with the analyst's coverage sector over the coming 6-12 months.

Underweight - We expect the stock to underperform the analyst's coverage sector over the coming 6-12 months.

Note: KeyBanc Capital Markets changed its rating system after market close on February 27, 2015. The previous ratings were Buy, Hold and Underweight. Additionally, Pacific Crest Securities changed its rating system to match KeyBanc Capital Markets' rating system after market close on April 10, 2015, in conjunction with the merger of the broker dealers. The previous ratings were Outperform, Sector Perform and Underperform.

Other Disclosures

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