

# PRA Health Sciences Inc

## 4Q Upside Right Out of the Gate Post IPO

### PRAH comes out of the IPO gate swinging w/ \$0.35 adjusted EPS (\$0.05 beat)

Consistent with most peers in the CRO industry, PRAH reported a solid C4Q14 despite some minor FX headwinds on the top-line. Reported revs of \$324 mil (+8% y/y or +10% cc) were exactly in line with Street estimates. Adjusted EPS of \$0.35 came in ahead of our \$0.32 view and Street's \$0.30, with most of the upside driven by better-than-expected gross margins (a sign that industry pricing is seemingly not an issue). 4Q EBITDA of \$51 mil compared to Street's view of \$47 mil. Also similar to other CROs, PRAH reported a strong book to bill ratio of 1.20x, ahead of our 1.17x estimate, as new business improved sequentially to \$388 mil, with cancellations in line with historical norms (~3-5%). Backlog grew +10% to \$2.1 bil, thereby suggesting strength across all key CRO industry metrics for PRAH as we enter CY15 (initial guidance discussed below).

### Add'l P&L discussion: merger integration on track as margins come in strong

While there are many moving parts within the company's P&L, PRAH's gross margins improved 100 bps sequentially to 33.6% (incl stock comp) as the company has seemingly been successful in integrating the various acquisitions over the past year while reducing costs. Adjusted EBIT margins were 14.0%, up 70 bps sequentially and showing continued improvement from the prior quarters thru SG&A leverage (ex mgmt fees), which was down -4.0% y/y. In terms of debt paydown, PRA reduced outstanding debt to ~\$950 mil from \$1,250 mil in 3Q14, which should bode well for future EPS growth as the company reduces overall interest expense.

### Initial CY15 guidance of \$1.35-1.45 in line with Street (see guidance table pg 3)

As expected, PRAH provided initial CY15 guidance, which includes revenues of \$1.35-1.40 bil (+8% growth y/y at the mid-pt, which is slightly ahead of the Street's \$1.36 bil). The company guided to adjusted EPS of \$1.35-1.45 (+12% at the mid-pt), vs. the Street's \$1.39. We tweak our CY15 sales estimates slightly lower due to FX headwinds, but leave our \$1.45 EPS estimate unchanged as lower taxes offset slightly lower revs.

### Valuation: Buy rated with \$29 PT; expect add'l color on Thurs a.m. conf call

Our \$29 price target is based on a P/E of 17x our CY16 EPS estimate of \$1.73; equals 11x EBITDA.

### Equities

Americas  
Healthcare Providers

12-month rating **Buy**

12m price target **US\$29.00**

Price **US\$27.84**

RIC: PRAH.O BBG: PRAH US

### Trading data and key metrics

52-wk range	US\$27.84-0.00
Market cap.	US\$1.67bn
Shares o/s	59.8m (COM)
Free float	100%
Avg. daily volume ('000)	217
Avg. daily value (m)	US\$5.3
Common s/h equity (12/15E)	US\$0.67bn
P/BV (12/15E)	2.6x
Net debt / EBITDA (12/15E)	3.9x

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

	12/15E			
	From	To	% ch	Cons.
Q1E	0.34	0.31	-7.76	0.31
Q2E	0.36	0.37	1.87	0.34
Q3E	0.35	0.37	4.11	0.36
Q4E	0.40	0.40	0.15	0.38
12/15E	1.45	1.45	-0.31	1.39
12/16E	1.73	1.73	-0.09	1.68
12/17E	2.01	2.00	-0.57	1.93

Steven Valiquette

Analyst

steven.valiquette@ubs.com  
+1-203-719 2347

Jonathan Yong

Associate Analyst

jonathan.yong@ubs.com  
+1-212-713 6268

Highlights (US\$m)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Revenues	597	833	1,267	1,369	1,472	1,575	1,683	1,794
EBIT (UBS)	81	113	162	175	200	222	247	271
Net earnings (UBS)	32	25	55	88	107	125	146	165
EPS (UBS, diluted) (US\$)	0.80	0.61	1.26	1.45	1.73	2.00	2.32	2.61
DPS (US\$)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net (debt) / cash	(345)	(1,184)	(857)	(774)	(664)	(541)	(408)	(265)
Profitability/valuation	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
EBIT margin %	13.6	13.5	12.8	12.8	13.6	14.1	14.7	15.1
ROIC (EBIT) %	-	-	10.4	12.1	14.7	17.3	20.5	23.8
EV/EBITDA (core) x	-	-	-	12.3	10.5	9.1	7.7	6.6
P/E (UBS, diluted) x	-	-	-	19.3	16.1	13.9	12.0	10.7
Equity FCF (UBS) yield %	-	-	-	5.7	7.1	7.8	8.4	9.0
Net dividend yield %	-	-	-	0.0	0.0	0.0	0.0	0.0

Source: Company accounts, Thomson Reuters, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of US\$27.84 on 18 Feb 2015 18:42 EST

[www.ubs.com/investmentresearch](http://www.ubs.com/investmentresearch)

This report has been prepared by UBS Securities LLC. **ANALYST CERTIFICATION AND REQUIRED DISCLOSURES BEGIN ON PAGE 10.** UBS does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

# Investment Thesis

## PRA Health Sciences Inc

### Investment case

PRA Health Sciences is a CRO focused primarily on the late-stage clinical trial market segment, with a niche therapeutic approach in both CNS and oncology (among others). Of great importance, PRA seems to have greater customer mix in the faster growing biotech and small- to mid-size pharma customer base, which should allow the company to consistently report top-line growth that is at least in line with overall industry growth. PRA derives ~40% of sales from biotech companies (one of the highest in the industry). PRAH's recent acquisitions should bolster the company's future prospects and we rate PRAH a Buy with a price target of \$29 based on a P/E of 17x our 2016 EPS estimate of \$1.73.

### Upside scenario

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

### Downside scenario

In the downside scenario to our thesis, the company could lose a strategic partner while seeing difficulties in the integration of the various acquisitions done over 2013. The integration issues could materialize in higher costs which could result in a hypothetical EPS of \$1.14. On a slightly lower multiple of ~15x, this leads to a valuation of \$21/sh.

### Upcoming catalysts

March, 2015 – various investor conferences

12-month rating

**Buy**

12m price target

**US\$29.00**

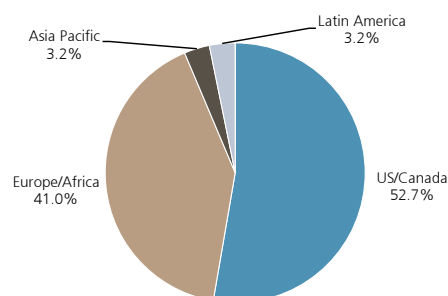
### Business description

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

### Industry outlook

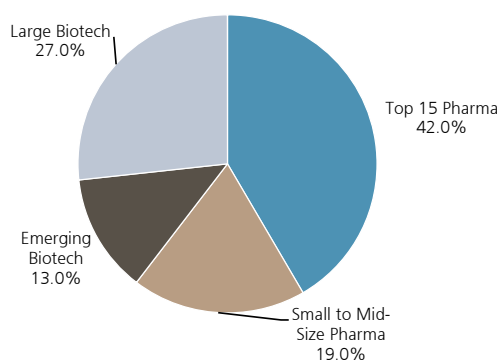
The CRO industry has been growing at a steady clip, primarily the result of significant growth in the phase II-IV market. However, we expect the early development market to have relatively flat growth through 2018. We expect the overall CRO industry to grow at a CAGR of ~6-7% through 2018, with CRO market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

### Revenues by region (2013)



Source: Company Documents

### Revenues by Customer Segment (3Q14)



Source: Company Documents

Figure 1: PRA Health – 2015 Guidance Table

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

Source: company reports.

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

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

Source: Company Documents; UBS Estimates

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

PRAH - Quarterly Income Statement (Millions)								
Revenues	PRAH 03/31/14 Actual	PRAH 06/30/14 Actual	PRAH 09/30/14 Actual	PRAH 12/31/14 Actual	03/31/15 Projected	06/30/15 Projected	09/30/15 Projected	12/31/15 Projected
<b>Total Revenue</b>	<b>\$311.4</b>	<b>\$311.4</b>	<b>\$320.1</b>	<b>\$323.8</b>	<b>\$332.3</b>	<b>\$339.4</b>	<b>\$347.7</b>	<b>\$349.9</b>
% change	87.0%	73.5%	70.1%	8.4%	6.7%	9.0%	8.6%	8.1%
<b>Expenses</b>								
COGS	215.2	213.4	215.7	214.9	227.3	232.2	236.5	237.2
% of revenue	69.1%	68.5%	67.4%	66.4%	68.4%	68.4%	68.0%	67.8%
Gross Profit (incl stock comp exp)	96.2	98.0	104.3	108.8	105.0	107.3	111.3	112.7
% of revenue	30.9%	31.5%	32.6%	33.6%	31.6%	31.6%	32.0%	32.2%
SG&A (incl stock comp exp)	60.8	56.0	63.4	61.8	61.5	59.4	63.3	61.9
% of revenue	19.5%	18.0%	19.8%	19.1%	18.5%	17.5%	18.2%	17.7%
Stock Comp (Addback to EBITDA)	(0.9)	(0.9)	(1.0)	(0.7)	(0.9)	(1.0)	(0.9)	(0.8)
Other Op Exp. (Addback to EBITDA)	(3.5)	(2.6)	(5.2)	(2.9)	(1.0)	(1.0)	(1.0)	(1.0)
<i>Adjusted EBITDA check line</i>	<i>39.7</i>	<i>45.5</i>	<i>47.0</i>	<i>50.6</i>				
<b>Adjusted EBITDA</b>	<b>39.7</b>	<b>45.5</b>	<b>47.0</b>	<b>50.6</b>	<b>45.4</b>	<b>49.9</b>	<b>49.9</b>	<b>52.5</b>
% of revenue	12.8%	14.6%	14.7%	15.6%	13.7%	14.7%	14.3%	15.0%
Depreciation (ex Deal Amortization)	5.9	4.9	4.5	5.4	5.5	5.6	5.7	5.8
% of revenue	1.9%	1.6%	1.4%	1.7%	1.7%	1.6%	1.6%	1.7%
Other expense exclude from net income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
% of revenue	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Operating Income	33.8	40.6	42.5	45.2	39.9	44.3	44.2	46.7
% of revenue	10.9%	13.0%	13.3%	14.0%	12.0%	13.0%	12.7%	13.4%
Interest Expense (Income), net	20.3	19.4	21.0	17.0	12.2	12.2	12.0	11.7
Other Expense (income), net	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pretax Income	13.5	21.2	21.5	28.2	27.7	32.1	32.2	35.1
% of revenue	4.3%	6.8%	6.7%	8.7%	8.3%	9.4%	9.3%	10.0%
Income Taxes	5.4	6.7	7.3	9.6	8.6	9.6	9.7	10.7
Tax Rate (%)	40.0%	31.6%	34.0%	34.0%	31.0%	30.0%	30.0%	30.5%
Minority Interest (Income)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Income	8.1	14.5	14.2	18.6	19.1	22.4	22.6	24.4
% of revenue	2.6%	4.7%	4.4%	5.8%	5.8%	6.6%	6.5%	7.0%
<b>EPS - Fully Diluted</b>	<b>\$0.20</b>	<b>\$0.36</b>	<b>\$0.34</b>	<b>\$0.35</b>	<b>\$0.31</b>	<b>\$0.37</b>	<b>\$0.37</b>	<b>\$0.40</b>
% change	-6.5%	18.1%	-313.9%	37.7%	55.8%	3.3%	9.2%	12.7%
Fully Diluted Shares (mil.)	40.3	40.8	42.1	53.0	61.0	61.1	61.3	61.5
<b>P&amp;L Line Growth Comparison:</b>								
Revenues	87.0%	73.5%	70.1%	8.4%	6.7%	9.0%	8.6%	8.1%
COGS	114.8%	101.2%	86.7%	4.8%	5.6%	8.8%	9.6%	10.4%
Gross Profit (incl stock comp exp)	45.0%	33.6%	43.7%	16.1%	9.2%	9.4%	6.7%	3.5%
SG&A (incl stock comp exp)	15.4%	25.0%	25.0%	-4.0%	1.1%	6.1%	-0.2%	0.2%
EBITDA	35.6%	37.6%	42.5%	43.6%	14.4%	9.7%	6.1%	3.7%
Depreciation and Amortization	42.3%	23.4%	1.3%	-1.3%	-6.7%	14.1%	26.6%	7.1%
Operating Income	34.5%	39.6%	48.9%	51.8%	18.1%	9.1%	3.9%	3.4%
Interest Expense	108.3%	75.8%	78.0%	-16.5%	-39.9%	-36.9%	-43.1%	-31.3%
Pretax Income	-12.3%	17.5%	28.4%	198.4%	105.3%	51.2%	50.0%	24.2%
Net Income	-10.4%	14.7%	-314.3%	79.8%	136.0%	54.7%	59.1%	30.8%
EPS	-6.5%	18.1%	-313.9%	37.7%	55.8%	3.3%	9.2%	12.7%
Shares Outstanding	-4.1%	-2.9%	0.2%	30.6%	51.5%	49.8%	45.7%	16.0%
Dividend Per Share	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

Source: Company Documents; UBS Estimates

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

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

Source: Company Documents; UBS Estimates

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

PRAH - Annual Income Statement (Millions)								
Revenues	PRAH FY12 Actual	PRAH FY13 Actual	PRAH FY14 Actual	FY15 Projected	FY16 Projected	FY17 Projected	FY18 Projected	FY19 Projected
<b>Total Revenue</b>	<b>\$597.1</b>	<b>\$832.9</b>	<b>\$1,266.6</b>	<b>\$1,369.4</b>	<b>\$1,472.1</b>	<b>\$1,575.1</b>	<b>\$1,683.0</b>	<b>\$1,794.3</b>
% change	9.0%	39.5%	52.1%	8.1%	7.5%	7.0%	6.8%	6.6%
<b>Expenses</b>								
COGS	358.6	526.9	859.2	933.2	1,002.5	1,069.5	1,139.4	1,211.2
% of revenue	60.1%	63.3%	67.8%	68.1%	68.1%	67.9%	67.7%	67.5%
Gross Profit (incl stock comp exp)	238.5	306.0	407.4	436.2	469.6	505.6	543.6	583.2
% of revenue	39.9%	36.7%	32.2%	31.9%	31.9%	32.1%	32.3%	32.5%
SG&A (incl stock comp exp)	160.6	212.6	242.1	246.1	254.7	269.3	282.7	297.9
% of revenue	26.9%	25.5%	19.1%	18.0%	17.3%	17.1%	16.8%	16.6%
Stock Comp (Addback to EBITDA)	(11.6)	(24.7)	(3.5)	(3.6)	(4.0)	(4.5)	(5.0)	(5.5)
Other Op Exp. (Addback to EBITDA)	(6.7)	(12.4)	(14.1)	(4.0)	(4.0)	(4.5)	(5.0)	(5.0)
<i>Adjusted EBITDA check line</i>	<i>96.2</i>	<i>130.6</i>	<i>182.8</i>					
<b>Adjusted EBITDA</b>	<b>96.2</b>	<b>130.6</b>	<b>182.8</b>	<b>197.7</b>	<b>222.9</b>	<b>245.3</b>	<b>270.9</b>	<b>295.8</b>
% of revenue	16.1%	15.7%	14.4%	14.4%	15.1%	15.6%	16.1%	16.5%
Depreciation (ex Deal Amortization)	15.0	18.1	20.7	22.6	23.0	23.5	24.0	24.4
% of revenue	2.5%	2.2%	1.6%	1.7%	1.6%	1.5%	1.4%	1.4%
Other expense exclude from net income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
% of revenue	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Operating Income	81.1	112.5	162.1	175.1	199.9	221.8	246.9	271.4
% of revenue	13.6%	13.5%	12.8%	12.8%	13.6%	14.1%	14.7%	15.1%
Interest Expense (Income), net	28.5	52.9	77.7	48.0	46.0	43.0	41.0	40.0
Other Expense (income), net	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pretax Income	52.6	59.6	84.4	127.1	153.9	178.8	205.9	231.4
% of revenue	8.8%	7.2%	6.7%	9.3%	10.5%	11.3%	12.2%	12.9%
Income Taxes	20.7	34.2	29.0	38.6	46.9	53.6	59.7	65.9
Tax Rate (%)	39.4%	57.3%	34.4%	30.4%	30.5%	30.0%	29.0%	28.5%
Minority Interest (Income)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Income	31.9	25.4	55.4	88.5	107.0	125.1	146.2	165.4
% of revenue	5.3%	3.1%	4.4%	6.5%	7.3%	7.9%	8.7%	9.2%
<i>Reported EPS from Cont. Ops.</i>	<i>\$0.80</i>	<i>\$0.61</i>	<i>\$1.26</i>					
<b>EPS - Fully Diluted</b>	<b>\$0.80</b>	<b>\$0.61</b>	<b>\$1.26</b>	<b>\$1.45</b>	<b>\$1.73</b>	<b>\$2.00</b>	<b>\$2.32</b>	<b>\$2.61</b>
% change	-4.6%	-24.0%	107.4%	15.1%	19.4%	16.0%	15.9%	12.3%
Fully Diluted Shares (mil.)	40.0	42.0	44.1	61.2	62.0	62.5	63.0	63.5
<b>P&amp;L Line Growth Comparison:</b>								
Revenues	9.0%	39.5%	52.1%	8.1%	7.5%	7.0%	6.8%	6.6%
COGS	11.6%	46.9%	63.1%	8.6%	7.4%	6.7%	6.5%	6.3%
Gross Profit (incl stock comp exp)	5.3%	28.3%	33.1%	7.1%	7.7%	7.7%	7.5%	7.3%
SG&A (incl stock comp exp)	16.1%	32.3%	13.9%	1.7%	3.5%	5.8%	5.0%	5.3%
EBITDA	1.2%	35.8%	40.0%	8.1%	12.7%	10.0%	10.4%	9.2%
Depreciation and Amortization	13.6%	20.0%	14.8%	9.0%	1.8%	2.2%	2.1%	1.7%
Operating Income	-0.9%	38.7%	44.1%	8.0%	14.2%	10.9%	11.3%	9.9%
Interest Expense	-9.1%	85.6%	46.9%	-38.2%	-4.3%	-6.5%	-4.7%	-2.4%
Pretax Income	4.3%	13.3%	41.6%	50.5%	21.1%	16.1%	15.2%	12.4%
Net Income	-6.0%	-20.2%	117.9%	59.7%	20.9%	17.0%	16.8%	13.2%
EPS	-4.6%	-24.0%	107.4%	15.1%	19.4%	16.0%	15.9%	12.3%
Shares Outstanding	-1.5%	5.0%	5.1%	38.8%	1.3%	0.8%	0.8%	0.8%
Dividend Per Share	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

Source: Company Documents; UBS Estimates

## PRA Health Sciences Inc (PRAH.O)

Income statement (US\$m)	12/12	12/13	12/14	12/15E	% ch	12/16E	% ch	12/17E	12/18E	12/19E
<b>Revenues</b>	<b>597</b>	<b>833</b>	<b>1,267</b>	<b>1,369</b>	<b>8.1</b>	<b>1,472</b>	<b>7.5</b>	<b>1,575</b>	<b>1,683</b>	<b>1,794</b>
Gross profit	239	306	407	436	7.1	470	7.7	506	544	583
<b>EBITDA (UBS)</b>	<b>96</b>	<b>131</b>	<b>183</b>	<b>198</b>	<b>8.1</b>	<b>223</b>	<b>12.7</b>	<b>245</b>	<b>271</b>	<b>296</b>
Depreciation & amortisation	(15)	(18)	(21)	(23)	9.0	(23)	1.8	(23)	(24)	(24)
<b>EBIT (UBS)</b>	<b>81</b>	<b>113</b>	<b>162</b>	<b>175</b>	<b>8.0</b>	<b>200</b>	<b>14.2</b>	<b>222</b>	<b>247</b>	<b>271</b>
Associates & investment income	0	0	0	0	-	0	-	0	0	0
Other non-operating income	0	0	0	0	-	0	-	0	0	0
Net interest	(28)	(53)	(78)	(48)	38.2	(46)	4.3	(43)	(41)	(40)
Exceptionals (incl goodwill)	0	0	0	0	-	0	-	0	0	0
<b>Profit before tax</b>	<b>53</b>	<b>60</b>	<b>84</b>	<b>127</b>	<b>50.5</b>	<b>154</b>	<b>21.1</b>	<b>179</b>	<b>206</b>	<b>231</b>
Tax	(21)	(34)	(29)	(39)	-33.0	(47)	-21.7	(54)	(60)	(66)
<b>Profit after tax</b>	<b>32</b>	<b>25</b>	<b>55</b>	<b>88</b>	<b>59.7</b>	<b>107</b>	<b>20.9</b>	<b>125</b>	<b>146</b>	<b>165</b>
Preference dividends	0	0	0	0	-	0	-	0	0	0
Minorities	0	0	0	0	-	0	-	0	0	0
Extraordinary items	0	0	0	0	-	0	-	0	0	0
<b>Net earnings (local GAAP)</b>	<b>32</b>	<b>25</b>	<b>55</b>	<b>88</b>	<b>59.7</b>	<b>107</b>	<b>20.9</b>	<b>125</b>	<b>146</b>	<b>165</b>
<b>Net earnings (UBS)</b>	<b>32</b>	<b>25</b>	<b>55</b>	<b>88</b>	<b>59.7</b>	<b>107</b>	<b>20.9</b>	<b>125</b>	<b>146</b>	<b>165</b>
Tax rate (%)	39.4	57.3	34.4	30.4	-11.6	30.5	0.5	30.0	29.0	28.5
<b>Per share (US\$)</b>	<b>12/12</b>	<b>12/13</b>	<b>12/14</b>	<b>12/15E</b>	<b>% ch</b>	<b>12/16E</b>	<b>% ch</b>	<b>12/17E</b>	<b>12/18E</b>	<b>12/19E</b>
EPS (UBS, diluted)	0.80	0.61	1.26	1.45	15.1	1.73	19.4	2.00	2.32	2.61
EPS (local GAAP, diluted)	0.80	0.61	1.26	1.45	15.1	1.73	19.4	2.00	2.32	2.61
EPS (UBS, basic)	0.80	0.61	1.26	1.45	15.1	1.73	19.4	2.00	2.32	2.61
Net DPS (US\$)	0.00	0.00	0.00	0.00	-	0.00	-	0.00	0.00	0.00
Cash EPS (UBS, diluted)*	1.17	1.04	1.73	1.81	5.1	2.10	15.5	2.38	2.70	2.99
Book value per share	10.09	25.89	11.32	10.88	-3.8	11.22	3.1	11.87	12.75	13.91
Average shares (diluted)	40.00	42.00	44.12	61.23	38.8	62.00	1.3	62.50	63.00	63.50
<b>Balance sheet (US\$m)</b>	<b>12/12</b>	<b>12/13</b>	<b>12/14</b>	<b>12/15E</b>	<b>% ch</b>	<b>12/16E</b>	<b>% ch</b>	<b>12/17E</b>	<b>12/18E</b>	<b>12/19E</b>
Cash and equivalents	-	81	92	75	-18.5	85	13.4	108	141	183
Other current assets	215	377	400	437	9.3	481	10.2	536	601	676
<b>Total current assets</b>	<b>-</b>	<b>458</b>	<b>491</b>	<b>511</b>	<b>4.1</b>	<b>566</b>	<b>10.7</b>	<b>644</b>	<b>742</b>	<b>859</b>
Net tangible fixed assets	650	1,875	1,707	1,628	-4.7	1,542	-5.3	1,455	1,367	1,280
Net intangible fixed assets	0	0	0	0	-	0	-	0	0	0
Investments / other assets	8	62	42	42	0.0	42	0.0	42	42	42
<b>Total assets</b>	<b>-</b>	<b>2,395</b>	<b>2,241</b>	<b>2,181</b>	<b>-2.7</b>	<b>2,150</b>	<b>-1.4</b>	<b>2,141</b>	<b>2,151</b>	<b>2,182</b>
Trade payables & other ST liabilities	303	450	466	517	11.0	556	7.7	600	650	700
Short term debt	3	19	0	0	-	0	-	0	0	0
<b>Total current liabilities</b>	<b>306</b>	<b>469</b>	<b>466</b>	<b>517</b>	<b>11.0</b>	<b>556</b>	<b>7.7</b>	<b>600</b>	<b>650</b>	<b>700</b>
Long term debt	451	1,246	949	849	-10.5	749	-11.8	649	549	449
Other long term liabilities	50	212	150	150	0.0	150	0.0	150	150	150
Preferred shares	0	0	0	0	-	0	-	0	0	0
<b>Total liabilities (incl pref shares)</b>	<b>807</b>	<b>1,927</b>	<b>1,564</b>	<b>1,515</b>	<b>-3.1</b>	<b>1,454</b>	<b>-4.0</b>	<b>1,399</b>	<b>1,348</b>	<b>1,299</b>
Common s/h equity	176	467	677	666	-1.6	696	4.4	742	803	883
Minority interests	0	0	0	0	-	0	-	0	0	0
<b>Total liabilities &amp; equity</b>	<b>983</b>	<b>2,395</b>	<b>2,241</b>	<b>2,181</b>	<b>-2.7</b>	<b>2,150</b>	<b>-1.4</b>	<b>2,141</b>	<b>2,151</b>	<b>2,182</b>
<b>Cash flow (US\$m)</b>	<b>12/12</b>	<b>12/13</b>	<b>12/14</b>	<b>12/15E</b>	<b>% ch</b>	<b>12/16E</b>	<b>% ch</b>	<b>12/17E</b>	<b>12/18E</b>	<b>12/19E</b>
Net income (before pref divs)	32	25	55	88	59.7	107	20.9	125	146	165
Depreciation & amortisation	15	18	21	23	9.0	23	1.8	24	24	24
Net change in working capital	47	58	(16)	6	-	15	150.0	12	5	(5)
Other operating	16	(31)	17	11	-35.4	10	-9.1	10	10	10
<b>Operating cash flow</b>	<b>110</b>	<b>70</b>	<b>77</b>	<b>128</b>	<b>65.8</b>	<b>155</b>	<b>21.0</b>	<b>171</b>	<b>185</b>	<b>195</b>
Tangible capital expenditure	(18)	(20)	(27)	(33)	-20.8	(37)	-12.1	(40)	(45)	(45)
Intangible capital expenditure	0	0	0	0	-	0	-	0	0	0
Net (acquisitions) / disposals	0	(1,115)	0	0	-	0	-	0	0	0
Other investing	0	(5)	15	0	-	0	-	0	0	0
<b>Investing cash flow</b>	<b>(18)</b>	<b>(1,140)</b>	<b>(12)</b>	<b>(33)</b>	<b>-169.2</b>	<b>(37)</b>	<b>-12.1</b>	<b>(40)</b>	<b>(45)</b>	<b>(45)</b>
Equity dividends paid	(102)	(132)	0	0	-	0	-	0	0	0
Share issues / (buybacks)	0	470	334	7	-97.9	10	42.9	10	10	10
Other financing	(2)	(59)	(7)	0	-	0	-	0	0	0
Change in debt & pref shares	61	798	(319)	(100)	68.63	(100)	0.00	(100)	(100)	(100)
<b>Financing cash flow</b>	<b>(42)</b>	<b>1,078</b>	<b>8</b>	<b>(93)</b>	<b>-</b>	<b>(90)</b>	<b>3.2</b>	<b>(90)</b>	<b>(90)</b>	<b>(90)</b>
<b>Cash flow inc/(dec) in cash</b>	<b>50</b>	<b>8</b>	<b>73</b>	<b>2</b>	<b>-97.1</b>	<b>28</b>	<b>NM</b>	<b>41</b>	<b>50</b>	<b>60</b>
FX / non cash items	-	(36)	(63)	(19)	69.7	(18)	5.3	(17)	(17)	(17)
<b>Balance sheet inc/(dec) in cash</b>	<b>-</b>	<b>(28)</b>	<b>11</b>	<b>(17)</b>	<b>-</b>	<b>10</b>	<b>-</b>	<b>23</b>	<b>33</b>	<b>42</b>

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

## PRA Health Sciences Inc (PRAH.O)

Valuation (x)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
P/E (local GAAP, diluted)	-	-	-	19.3	16.1	13.9	12.0	10.7
P/E (UBS, diluted)	-	-	-	19.3	16.1	13.9	12.0	10.7
P/CEPS	-	-	-	15.3	13.3	11.7	10.3	9.3
Equity FCF (UBS) yield %	-	-	-	5.7	7.1	7.8	8.4	9.0
Net dividend yield (%)	-	-	-	0.0	0.0	0.0	0.0	0.0
P/BV x	-	-	-	2.6	2.5	2.3	2.2	2.0
EV/revenues (core)	-	-	-	1.8	1.6	1.4	1.2	1.1
EV/EBITDA (core)	-	-	-	12.3	10.5	9.1	7.7	6.6
EV/EBIT (core)	-	-	-	13.9	11.7	10.0	8.5	7.2
EV/OpFCF (core)	-	-	-	16.8	14.3	12.3	10.6	8.8
EV/op. invested capital	-	-	-	1.7	1.7	1.7	1.7	1.7
<b>Enterprise value (US\$m)</b>	<b>12/12</b>	<b>12/13</b>	<b>12/14</b>	<b>12/15E</b>	<b>12/16E</b>	<b>12/17E</b>	<b>12/18E</b>	<b>12/19E</b>
Market cap.	-	-	-	1,665	1,665	1,665	1,665	1,665
Net debt (cash)	345	765	1,020	815	719	602	474	336
Buy out of minorities	0	0	0	0	0	0	0	0
Pension provisions/other	0	0	0	0	0	0	0	0
<b>Total enterprise value</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,481</b>	<b>2,384</b>	<b>2,267</b>	<b>2,139</b>	<b>2,002</b>
Non core assets	(8)	(17)	(41)	(41)	(41)	(41)	(41)	(41)
<b>Core enterprise value</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,440</b>	<b>2,343</b>	<b>2,227</b>	<b>2,099</b>	<b>1,961</b>
<b>Growth (%)</b>	<b>12/12</b>	<b>12/13</b>	<b>12/14</b>	<b>12/15E</b>	<b>12/16E</b>	<b>12/17E</b>	<b>12/18E</b>	<b>12/19E</b>
Revenue	9.0	39.5	52.1	8.1	7.5	7.0	6.8	6.6
EBITDA (UBS)	1.2	35.8	40.0	8.1	12.7	10.0	10.4	9.2
EBIT (UBS)	-0.9	38.7	44.1	8.0	14.2	10.9	11.3	9.9
EPS (UBS, diluted)	-4.6	-24.0	107.4	15.1	19.4	16.0	15.9	12.3
Net DPS	-	-	-	-	-	-	-	-
<b>Margins &amp; Profitability (%)</b>	<b>12/12</b>	<b>12/13</b>	<b>12/14</b>	<b>12/15E</b>	<b>12/16E</b>	<b>12/17E</b>	<b>12/18E</b>	<b>12/19E</b>
Gross profit margin	39.9	36.7	32.2	31.9	31.9	32.1	32.3	32.5
EBITDA margin	16.1	15.7	14.4	14.4	15.1	15.6	16.1	16.5
EBIT margin	13.6	13.5	12.8	12.8	13.6	14.1	14.7	15.1
Net earnings (UBS) margin	5.3	3.1	4.4	6.5	7.3	7.9	8.7	9.2
ROIC (EBIT)	-	-	10.4	12.1	14.7	17.3	20.5	23.8
ROIC post tax	-	2.9	6.8	8.4	10.2	12.1	14.5	17.0
ROE (UBS)	18.1	7.9	9.7	13.2	15.7	17.4	18.9	19.6
<b>Capital structure &amp; Coverage (x)</b>	<b>12/12</b>	<b>12/13</b>	<b>12/14</b>	<b>12/15E</b>	<b>12/16E</b>	<b>12/17E</b>	<b>12/18E</b>	<b>12/19E</b>
Net debt / EBITDA	3.6	9.1	4.7	3.9	3.0	2.2	1.5	0.9
Net debt / total equity %	196.2	253.3	126.6	116.2	95.4	72.9	50.8	30.0
Net debt / (net debt + total equity) %	66.2	71.7	55.9	53.7	48.8	42.2	33.7	23.1
Net debt/EV	-	-	-	31.7	28.3	24.3	19.4	13.5
Capex / depreciation %	120.1	109.2	131.8	146.0	160.9	170.2	187.5	184.4
Capex / revenue %	3.0	2.4	2.2	2.4	2.5	2.5	2.7	2.5
EBIT / net interest	2.8	2.1	2.1	3.6	4.3	5.2	6.0	6.8
Dividend cover (UBS)	-	-	-	-	-	-	-	-
Div. payout ratio (UBS) %	-	-	-	-	-	-	-	-
<b>Revenues by division (US\$m)</b>	<b>12/12</b>	<b>12/13</b>	<b>12/14</b>	<b>12/15E</b>	<b>12/16E</b>	<b>12/17E</b>	<b>12/18E</b>	<b>12/19E</b>
Others	597	833	1,267	1,369	1,472	1,575	1,683	1,794
<b>Total</b>	<b>597</b>	<b>833</b>	<b>1,267</b>	<b>1,369</b>	<b>1,472</b>	<b>1,575</b>	<b>1,683</b>	<b>1,794</b>
<b>EBIT (UBS) by division (US\$m)</b>	<b>12/12</b>	<b>12/13</b>	<b>12/14</b>	<b>12/15E</b>	<b>12/16E</b>	<b>12/17E</b>	<b>12/18E</b>	<b>12/19E</b>
Others	81	113	162	175	200	222	247	271
<b>Total</b>	<b>81</b>	<b>113</b>	<b>162</b>	<b>175</b>	<b>200</b>	<b>222</b>	<b>247</b>	<b>271</b>

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



### Forecast returns

---

Forecast price appreciation	+4.2%
Forecast dividend yield	0.0%
Forecast stock return	+4.2%
Market return assumption	5.6%
Forecast excess return	-1.4%

---

### Statement of Risk

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

## Required Disclosures

This report has been prepared by UBS Securities LLC, an affiliate of UBS AG. UBS AG, its subsidiaries, branches and affiliates are referred to herein as UBS.

For information on the ways in which UBS manages conflicts and maintains independence of its research product; historical performance information; and certain additional disclosures concerning UBS research recommendations, please visit [www.ubs.com/disclosures](http://www.ubs.com/disclosures). The figures contained in performance charts refer to the past; past performance is not a reliable indicator of future results. Additional information will be made available upon request. UBS Securities Co. Limited is licensed to conduct securities investment consultancy businesses by the China Securities Regulatory Commission.

**Analyst Certification:** Each research analyst primarily responsible for the content of this research report, in whole or in part, certifies that with respect to each security or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers and were prepared in an independent manner, including with respect to UBS, and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report.

### UBS Investment Research: Global Equity Rating Definitions

12-Month Rating	Definition	Coverage <sup>1</sup>	IB Services <sup>2</sup>
<b>Buy</b>	FSR is > 6% above the MRA.	47%	37%
<b>Neutral</b>	FSR is between -6% and 6% of the MRA.	42%	32%
<b>Sell</b>	FSR is > 6% below the MRA.	11%	21%
Short-Term Rating	Definition	Coverage <sup>3</sup>	IB Services <sup>4</sup>
<b>Buy</b>	Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.	less than 1%	less than 1%
<b>Sell</b>	Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.	less than 1%	less than 1%

Source: UBS. Rating allocations are as of 31 December 2014.

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

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

**KEY DEFINITIONS:** **Forecast Stock Return (FSR)** is defined as expected percentage price appreciation plus gross dividend yield over the next 12 months. **Market Return Assumption (MRA)** is defined as the one-year local market interest rate plus 5% (a proxy for, and not a forecast of, the equity risk premium). **Under Review (UR)** Stocks may be flagged as UR by the analyst, indicating that the stock's price target and/or rating are subject to possible change in the near term, usually in response to an event that may affect the investment case or valuation. **Short-Term Ratings** reflect the expected near-term (up to three months) performance of the stock and do not reflect any change in the fundamental view or investment case. **Equity Price Targets** have an investment horizon of 12 months.

**EXCEPTIONS AND SPECIAL CASES:** **UK and European Investment Fund ratings and definitions are:** **Buy:** Positive on factors such as structure, management, performance record, discount; **Neutral:** Neutral on factors such as structure, management, performance record, discount; **Sell:** Negative on factors such as structure, management, performance record, discount. **Core Banding Exceptions (CBE):** Exceptions to the standard +/-6% bands may be granted by the Investment Review Committee (IRC). Factors considered by the IRC include the stock's volatility and the credit spread of the respective company's debt. As a result, stocks deemed to be very high or low risk may be subject to higher or lower bands as they relate to the rating. When such exceptions apply, they will be identified in the Company Disclosures table in the relevant research piece.

Research analysts contributing to this report who are employed by any non-US affiliate of UBS Securities LLC are not registered/qualified as research analysts with the NASD and NYSE and therefore are not subject to the restrictions contained in the NASD and NYSE rules on communications with a subject company, public appearances, and trading securities held by a research analyst account. The name of each affiliate and analyst employed by that affiliate contributing to this report, if any, follows.

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

## Company Disclosures

Company Name	Reuters	12-month rating	Short-term rating	Price	Price date
<b>PRA Health Sciences Inc</b> <sup>2, 4, 6, 16</sup>	PRAH.O	Buy	N/A	US\$27.84	18 Feb 2015

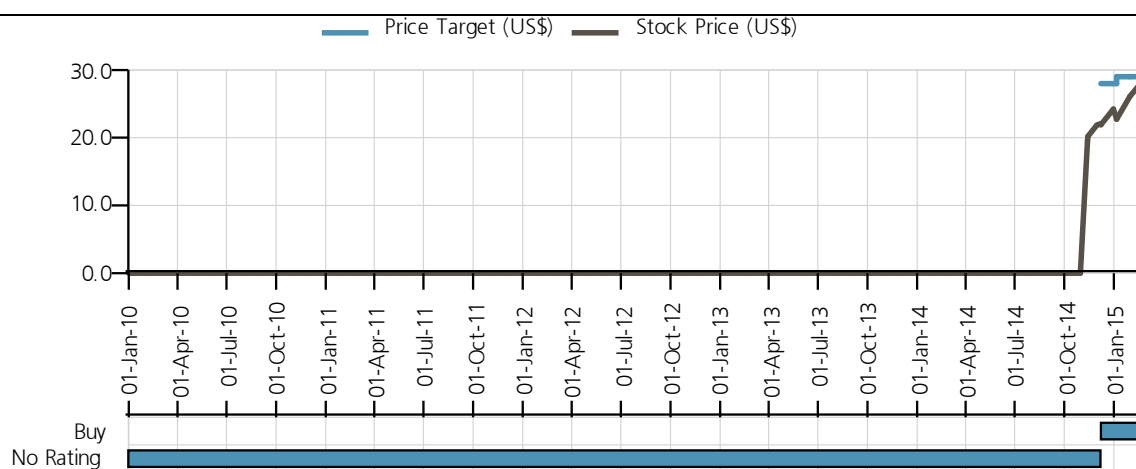
Source: UBS. All prices as of local market close.

Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date

2. UBS AG, its affiliates or subsidiaries has acted as manager/co-manager in the underwriting or placement of securities of this company/entity or one of its affiliates within the past 12 months.
4. Within the past 12 months, UBS AG, its affiliates or subsidiaries has received compensation for investment banking services from this company/entity.
6. This company/entity is, or within the past 12 months has been, a client of UBS Securities LLC, and investment banking services are being, or have been, provided.
16. UBS Securities LLC makes a market in the securities and/or ADRs of this company.

Unless otherwise indicated, please refer to the Valuation and Risk sections within the body of this report.

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



Source: UBS; as of 18 Feb 2015

## Global Disclaimer

This document has been prepared by UBS Securities LLC, an affiliate of UBS AG. UBS AG, its subsidiaries, branches and affiliates are referred to herein as UBS.

This document is for distribution only as may be permitted by law. It is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or would subject UBS to any registration or licensing requirement within such jurisdiction. It is published solely for information purposes; it is not an advertisement nor is it a solicitation or an offer to buy or sell any financial instruments or to participate in any particular trading strategy. No representation or warranty, either express or implied, is provided in relation to the accuracy, completeness or reliability of the information contained in this document ('the Information'), except with respect to Information concerning UBS. The Information is not intended to be a complete statement or summary of the securities, markets or developments referred to in the document. UBS does not undertake to update or keep current the Information. Any opinions expressed in this document may change without notice and may differ or be contrary to opinions expressed by other business areas or groups of UBS. Any statements contained in this report attributed to a third party represent UBS's interpretation of the data, information and/or opinions provided by that third party either publicly or through a subscription service, and such use and interpretation have not been reviewed by the third party.

Nothing in this document constitutes a representation that any investment strategy or recommendation is suitable or appropriate to an investor's individual circumstances or otherwise constitutes a personal recommendation. Investments involve risks, and investors should exercise prudence and their own judgement in making their investment decisions. The financial instruments described in the document may not be eligible for sale in all jurisdictions or to certain categories of investors. Options, derivative products and futures are not suitable for all investors, and trading in these instruments is considered risky. Mortgage and asset-backed securities may involve a high degree of risk and may be highly volatile in response to fluctuations in interest rates or other market conditions. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument referred to in the document. For investment advice, trade execution or other enquiries, clients should contact their local sales representative.

The value of any investment or income may go down as well as up, and investors may not get back the full (or any) amount invested. Past performance is not necessarily a guide to future performance. Neither UBS nor any of its directors, employees or agents accepts any liability for any loss (including investment loss) or damage arising out of the use of all or any of the Information.

Any prices stated in this document are for information purposes only and do not represent valuations for individual securities or other financial instruments. There is no representation that any transaction can or could have been effected at those prices, and any prices do not necessarily reflect UBS's internal books and records or theoretical model-based valuations and may be based on certain assumptions. Different assumptions by UBS or any other source may yield substantially different results.

This document and the Information are produced by UBS as part of its research function and are provided to you solely for general background information. UBS has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient. In no circumstances may this document or any of the Information be used for any of the following purposes:

- (i) valuation or accounting purposes;
- (ii) to determine the amounts due or payable, the price or the value of any financial instrument or financial contract; or
- (iii) to measure the performance of any financial instrument.

By receiving this document and the Information you will be deemed to represent and warrant to UBS that you will not use this document or any of the Information for any of the above purposes or otherwise rely upon this document or any of the Information.

Research will initiate, update and cease coverage solely at the discretion of UBS Investment Bank Research Management. The analysis contained in this document is based on numerous assumptions. Different assumptions could result in materially different results. The analyst(s) responsible for the preparation of this document may interact with trading desk personnel, sales personnel and other parties for the purpose of gathering, applying and interpreting market information. UBS relies on information barriers to control the flow of information contained in one or more areas within UBS into other areas, units, groups or affiliates of UBS. The compensation of the analyst who prepared this document is determined exclusively by research management and senior management (not including investment banking). Analyst compensation is not based on investment banking revenues; however, compensation may relate to the revenues of UBS Investment Bank as a whole, of which investment banking, sales and trading are a part.

For financial instruments admitted to trading on an EU regulated market: UBS AG, its affiliates or subsidiaries (excluding UBS Securities LLC) acts as a market maker or liquidity provider (in accordance with the interpretation of these terms in the UK) in the financial instruments of the issuer save that where the activity of liquidity provider is carried out in accordance with the definition given to it by the laws and regulations of any other EU jurisdictions, such information is separately disclosed in this document. For financial instruments admitted to trading on a non-EU regulated market: UBS may act as a market maker save that where this activity is carried out in the US in accordance with the definition given to it by the relevant laws and regulations, such activity will be specifically disclosed in this document. UBS may have issued a warrant the value of which is based on one or more of the financial instruments referred to in the document. UBS and its affiliates and employees may have long or short positions, trade as principal and buy and sell in instruments or derivatives identified herein; such transactions or positions may be inconsistent with the opinions expressed in this document.

**United Kingdom and the rest of Europe:** Except as otherwise specified herein, this material is distributed by UBS Limited to persons who are eligible counterparties or professional clients. UBS Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. **France:** Prepared by UBS Limited and distributed by UBS Limited and UBS Securities France S.A. UBS Securities France S.A. is regulated by the ACP (Autorité de Contrôle Prudentiel) and the Autorité des Marchés Financiers (AMF). Where an analyst of UBS Securities France S.A. has contributed to this document, the document is also deemed to have been prepared by UBS Securities France S.A. **Germany:** Prepared by UBS Limited and distributed by UBS Limited and UBS Deutschland AG. UBS Deutschland AG is regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin). **Spain:** Prepared by UBS Limited and distributed by UBS Limited and UBS Securities España SV, SA. UBS Securities España SV, SA is regulated by the Comisión Nacional del Mercado de Valores (CNMV). **Turkey:** Distributed by UBS Limited. No information in this document is provided for the purpose of offering, marketing and sale by any means of any capital market instruments and services in the Republic of Turkey. Therefore, this document may not be considered as an offer made or to be made to residents of the Republic of Turkey. UBS AG is not licensed by the Turkish Capital Market Board under the provisions of the Capital Market Law (Law No. 6362). Accordingly, neither this document nor any other offering material related to the instruments/services may be utilized in connection with providing any capital market services to persons within the Republic of Turkey without the prior approval of the Capital Market Board. However, according to article 15 (d) (ii) of the Decree No. 32, there is no restriction on the purchase or sale of the securities abroad by residents of the Republic of Turkey. **Poland:** Distributed by UBS Limited (spółka z ograniczoną odpowiedzialnością) Oddział w Polsce. **Russia:** Prepared and distributed by UBS Securities CJSC. **Switzerland:** Distributed by UBS AG to persons who are institutional investors only. UBS AG is regulated by the Swiss Financial Market Supervisory Authority (FINMA). **Italy:** Prepared by UBS Limited and distributed by UBS Limited and UBS Italia Sim S.p.A. UBS Italia Sim S.p.A. is regulated by the Bank of Italy and by the Commissione Nazionale per le Società e la Borsa (CONSOB). Where an analyst of UBS Italia Sim S.p.A. has contributed to this document, the document is also deemed to have been prepared by UBS Italia Sim S.p.A. **South Africa:** Distributed by UBS South Africa (Pty) Limited, an authorised user of the JSE and an authorised Financial Services Provider. **Israel:** This material is distributed by UBS Limited. UBS Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. UBS Securities Israel Ltd is a licensed Investment Marketer that is supervised by the Israel Securities Authority (ISA). UBS Limited and its affiliates incorporated outside Israel are not licensed under the Israeli Advisory Law. UBS Limited is not covered by insurance as required from a licensee under the Israeli Advisory Law. UBS may engage among others in issuance of Financial Assets or in distribution of Financial Assets of other issuers for fees or other benefits. UBS Limited and its affiliates may prefer various Financial Assets to which they have or may have Affiliation (as such term is defined under the Israeli Advisory Law). Nothing in this Material should be considered as investment advice under the Israeli Advisory Law. This Material is being issued only to and/or is directed only at persons who are Eligible Clients within the meaning of the Israeli Advisory Law, and this material must not be relied on or acted upon by any other persons. **Saudi Arabia:** This document has been issued by UBS AG (and/or any of its subsidiaries, branches or affiliates), a public company limited by shares, incorporated in Switzerland with its registered offices at Aeschenvorstadt 1, CH-4051 Basel and Bahnhofstrasse 45, CH-8001 Zurich. This publication has been approved by UBS Saudi Arabia (a subsidiary of UBS AG), a Saudi closed joint stock company incorporated in the Kingdom of Saudi Arabia under commercial register number 1010257812 having its registered office at Tatweer Towers, P.O. Box 75724, Riyadh 11588, Kingdom of Saudi Arabia. UBS Saudi Arabia is authorized and regulated by the Capital Market Authority to conduct securities business under license number 08113-37. **United States:** Distributed to US persons by either UBS Securities LLC or by UBS Financial Services Inc., subsidiaries of UBS AG; or by a group, subsidiary or affiliate of UBS AG that is not registered as a US broker-dealer (a 'non-US affiliate') to major US institutional investors only. UBS Securities LLC or UBS Financial Services Inc. accepts responsibility for the content of a document prepared by another non-US affiliate when distributed to US persons by UBS Securities LLC or UBS Financial Services Inc. All transactions by a US person in the securities mentioned in this document must be effected through UBS Securities LLC or UBS Financial Services Inc., and not through a non-US affiliate. **Canada:** Distributed by UBS Securities Canada Inc., a registered investment dealer in Canada and a Member-Canadian Investor Protection Fund, or by another affiliate of UBS AG that is registered to conduct business in Canada or is otherwise exempt from registration. **Brazil:** Except as otherwise specified herein, this material is prepared by UBS Brasil CCTVM S.A. to persons who are eligible investors residing in Brazil, which are considered to be: (i) financial institutions, (ii) insurance firms and investment capital companies, (iii) supplementary pension entities, (iv) entities that hold financial investments higher than R\$300,000.00 and that confirm the status of qualified investors in written, (v) investment funds, (vi) securities portfolio managers and securities consultants duly authorized by Comissão de Valores Mobiliários (CVM), regarding their own investments, and (vii) social security systems created by the Federal Government, States, and Municipalities. **Hong Kong:** Distributed by UBS Securities Asia Limited and/or UBS AG, Hong Kong Branch. **Singapore:** Distributed by UBS Securities Pte. Ltd. [mica (p) 107/09/2013 and Co. Reg. No.: 198500648C] or UBS AG, Singapore Branch. Please contact UBS Securities Pte. Ltd., an exempt financial adviser under the Singapore Financial Advisers Act (Cap. 110); or UBS AG, Singapore Branch, an exempt financial adviser under the Singapore Financial Advisers Act (Cap. 110) and a wholesale bank licensed under the Singapore Banking Act (Cap. 19) regulated by the Monetary Authority of Singapore, in respect of any matters arising from, or in connection with, the analysis or document. The recipients of this document represent and warrant that they are accredited and institutional investors as defined in the Securities and Futures Act (Cap. 289). **Japan:** Distributed by UBS Securities Japan Co., Ltd. to professional investors (except as otherwise permitted). Where this document has been prepared by UBS Securities Japan Co., Ltd., UBS Securities Japan Co., Ltd. is the author, publisher and distributor of the document. Distributed by UBS AG, Tokyo Branch to Professional Investors (except as otherwise permitted) in relation to foreign exchange and other banking businesses when relevant. **Australia:** Clients of UBS AG: Distributed by UBS AG (Holder of Australian Financial Services License No. 231087). Clients of UBS Securities Australia Ltd: Distributed by UBS Securities Australia Ltd (Holder of Australian Financial Services License No. 231098). Clients of UBS Wealth Management Australia Ltd: Distributed by UBS Wealth Management Australia Ltd (Holder of Australian Financial Services Licence No. 231127). This Document contains general information and/or general advice only and does not constitute personal financial product advice. As such, the Information in this document has been prepared without taking into account any investor's objectives, financial situation or needs, and investors should, before acting on the Information, consider the appropriateness of the Information, having regard to their objectives, financial situation and needs. If the Information contained in this document relates to the acquisition, or potential acquisition of a particular financial product by a 'Retail' client as defined by section 761G of the Corporations Act 2001 where a Product Disclosure Statement would be required, the retail client should obtain and consider the Product Disclosure Statement relating to the product before making any decision about whether to acquire the product. The UBS Securities Australia Limited Financial Services Guide is available at: [www.ubs.com/ecs-research-fsg](http://www.ubs.com/ecs-research-fsg). **New Zealand:** Distributed by UBS New Zealand Ltd. The information and recommendations in this publication are provided for general information purposes only. To the extent that any such information or recommendations constitute financial advice, they do not take into account any person's particular financial situation or goals. We recommend that recipients seek advice specific to their circumstances from their financial advisor. **Dubai:** The research distributed by UBS AG Dubai Branch is intended for Professional Clients only and is not for further distribution within the United Arab Emirates. **Korea:** Distributed in Korea by UBS Securities Pte. Ltd., Seoul Branch. This document may have been edited or contributed to from time to time by affiliates of UBS Securities Pte. Ltd., Seoul Branch. **Malaysia:** This material is authorized to be distributed in Malaysia by UBS Securities Malaysia Sdn. Bhd (253825-x). **India:** Prepared by UBS Securities India Private Ltd. (Corporate Identity Number U67120MH1996PTC097299) 2/F, 2 North Avenue, Maker Maxity, Bandra Kurla Complex, Bandra (East), Mumbai (India) 400051. Phone: +912261556000 SEBI Registration Numbers: NSE (Capital Market Segment): INB230951431, NSE (F&O Segment) INF230951431, BSE (Capital Market Segment) INB010951437.

The disclosures contained in research documents produced by UBS Limited shall be governed by and construed in accordance with English law.

UBS specifically prohibits the redistribution of this document in whole or in part without the written permission of UBS and UBS accepts no liability whatsoever for the actions of third parties in this respect. Images may depict objects or elements that are protected by third party copyright, trademarks and other intellectual property rights. © UBS 2015. The key symbol and UBS are among the registered and unregistered trademarks of UBS. All rights reserved.

