

COMPANY NOTE

Target Change

USA | Healthcare | Pharmaceutical Svcs.

May 6, 2015

Jefferies

PRA Health Sciences (PRAH) Just What [We] Needed; Key Reads from Strong Results

Key Takeaway

A 10% rise in the stock is reasonable on these results, in our view. Management backed up a \$0.10 1Q upside vs. consensus with a \$0.27 (19%) increase to the EPS guidance midpoint. The 10% CD revenue growth and 1.2x book-to-bill are healthy metrics, as well. Some may be quick to argue for a higher stock price, but we'd emphasize that FX does appear to contribute meaningfully to both 1Q and the year.

1. EPS Well Ahead on Any Measure. Adjusted EPS of \$0.41 beat estimates by 10c. We were 2c below consensus because we do not exclude non-cash rent and JV losses (which were 2c). We also had argued that FX gains/losses should be included because: a) peers don't exclude, and b) they tend to net against above the line impacts historically. In 4Q and 1Q, FX supercharged EPS...nice problem, but harder to defend our inclusion. Bottom line: 10c upside surprise.

2. Revenue Upside = Healthy, Clean. PRAH's revenue is one of the least affected by FX among CROs. Thus, the upside to consensus (+\$2M) and us (+\$6M) is pretty clean. Moreover, 10% constant dollar growth exceeds the 8% bogey management targeted during the roadshow and shows solid acceleration in core business.

3. Bookings Solid Again. PRAH's 1.2x matched our estimate and 4Q14. Net new business grew 13.3% YoY. Remember that PRAH records backlog for its Strategic Solutions business (old RPS) on a rolling 4Q basis. The quarter just reported is drawn down from backlog, and the expected revenue 4Q's out is added in through bookings. This results in a steadier bookings contribution, typically 1.05-1.1. It also implies a 1.25x book-to-bill on "traditional" business.

4. EPS Guidance Increase is Large. Management is increasing EPS by 27c (19.3%) at the midpoint, against a slight revenue reduction (\$10M, or 0.7%). That is certainly rewarding for shareholders. Before original guidance, we believed FX could have been a \$0.15-0.20 helper to EPS and concluded that management had conservatively not included that. The updated guidance probably takes a conservative tack on FX assumptions, as well. That said, we calculate the full benefit in excess of \$0.20, such that it could represent the full raise.

Valuation/Risks

Our \$36 PT applies a 19x P/E to our increased 2016 EPSe. Peers currently trade at 19x 2015 comparable EPS (i.e. adjusted for non-cash add backs). We believe PRAH can trade in-line with the peer group in 12-months. Risks: large client loss and/or project cancellation; integration difficulties; and increasing client M&A.

USD	Prev.	2013A	Prev.	2014A	Prev.	2015E	Prev.	2016E
Rev. (MM)	--	832.9	--	1,266.6	1,359.7	1,361.8	1,488.9	1,487.1
EBITDA (MM)	--	97.6	--	187.7	204.9	233.9	231.7	248.1
Cons. EPS	--	--	--	--	--	1.41	--	1.71
EPS Non-GAAP								
Mar	--	0.10	--	0.12	0.28	0.49A	--	--
Jun	--	0.24	--	0.25	0.33	0.39	--	--
Sep	--	(0.02)	--	0.49	0.37	0.41	--	--
Dec	--	0.11	--	0.42	0.42	0.45	--	--
FY Dec	--	0.44	--	1.29	1.39	1.74	1.69	1.90

BUY

Price target \$36.00

(from \$31.00)

Price \$29.00

Financial Summary

Book Value (MM):	\$648.2
Net Debt (MM):	\$863.0
Long-Term Debt (MM):	\$933.8
Cash & ST Invest. (MM):	\$70.8
Backlog:	2,200

Market Data

52 Week Range:	\$31.99 - \$18.47
Total Entprs. Value (MM):	\$2,684.2
Market Cap. (MM):	\$1,821.2
Shares Out. (MM):	62.8
Float (MM):	19.5
Avg. Daily Vol.:	188,455

David Windley, CFA, CPA *

Equity Analyst

(615) 963-8313 dwindley@jefferies.com

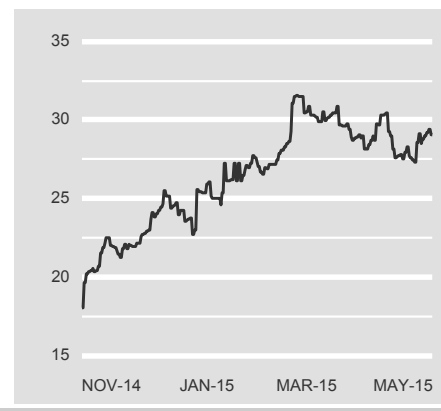
Sean Dodge, CFA *

Equity Analyst

(615) 963-8340 sdodge@jefferies.com

* Jefferies LLC

Price Performance



Jefferies does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that Jefferies 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. Please see analyst certifications, important disclosure information, and information regarding the status of non-US analysts on pages 4 to 7 of this report.

EQUITY RESEARCH AMERICAS

Chart 1: Summary of PRA's Results

PRA Health Sciences (PRAH)

1Q15 Earnings Summary

Sources: Company filings and Jefferies LLC

Reports 5/6/2015 AMC

FY ending December 31 in thousands except EPS	Reported		Estimate	Actual	Consensus	Percentage Change		Difference		
	1Q14	4Q14	1Q15	1Q15	1Q15	Seq	Y/Y	Seq	Y/Y	Est.
Net revenue	\$ 311,352	\$ 323,759	\$ 325,825	\$ 331,968	\$ 330,000	2.5%	6.6%	\$ 8,209	\$ 20,616	\$ 6,143
Direct costs	215,151	214,943	221,894	218,961		1.9%	1.8%	4,018	3,810	(2,933)
SG&A	57,854	59,910	58,263	58,686		(2.0%)	1.4%	(1,224)	832	423
FOREX	3,712	(8,979)	-	(9,066)		1.0%	(344.2%)	(87)	(12,778)	(9,066)
Adj EBITDA	34,635	57,885	45,668	63,387	48,000	9.5%	83.0%	5,502	28,752	17,719
Depreciation	5,895	5,418	5,612	5,128		(5.4%)	(13.0%)	(290)	(767)	(484)
Total expenses	282,612	271,292	285,769	273,709		0.9%	(3.2%)	2,417	(8,903)	(12,060)
Adj EBITA	28,740	52,467	40,057	58,259		11.0%	102.7%	5,792	29,519	18,202
Interest income (expense)	(20,332)	(16,970)	(14,616)	(13,744)		(19.0%)	(32.4%)	3,226	6,588	872
Other income (expense)	(59)	(2,020)	-	(464)		(77.0%)	686.4%	1,556	(405)	(464)
Pretax income	8,349	33,477	25,441	44,051		31.6%	427.6%	10,574	35,702	18,610
Taxes	3,548	11,382	7,632	13,215		16.1%	272.4%	1,833	9,667	5,583
Adj Net income	4,801	22,095	17,808	30,836		39.6%	542.3%	8,741	26,035	13,027
Adj EPS b/f charges	\$ 0.12	\$ 0.42	\$ 0.29	\$ 0.49	\$ 0.31	17.8%	312.2%	\$ 0.07	\$ 0.37	\$ 0.21
Diluted shares	40,286	53,008	62,476	62,777		18.4%	55.8%	9,769	22,491	301
COMMON SIZE										
Net revenue	100.0%	100.0%	100.0%	100.0%				-	-	-
Direct costs	69.1%	66.4%	68.1%	66.0%				(40)	(310)	(210)
Gross margin	30.9%	33.6%	31.9%	34.0%				40	310	210
SG&A	18.6%	18.5%	17.9%	17.7%				(80)	(90)	(20)
Adj EBITDA	11.1%	17.9%	14.0%	19.1%				120	800	510
Adj EBITDA ex-FOREX	12.3%	15.1%	14.0%	16.4%						
Depreciation	1.9%	1.7%	1.7%	1.5%				(10)	(30)	(20)
Total expenses	90.8%	83.8%	87.7%	82.5%				(130)	(830)	(530)
Adj EBITA	9.2%	16.2%	12.3%	17.5%				130	830	530
Interest income (expense)	(6.5%)	(5.2%)	(4.5%)	(4.1%)				110	240	30
Other income (expense)	(0.0%)	(0.6%)	0.0%	(0.1%)				50	(10)	(10)
Pretax income	2.7%	10.3%	7.8%	13.3%				290	1,060	550
Taxes	42.5%	34.0%	30.0%	30.0%				(400)	(1,250)	-
Adjusted net income	1.5%	6.8%	5.5%	9.3%				250	770	380
Gross new busines	422,800	456,800	466,850							
Cancellations	(71,500)	(68,500)	(74,696)							
% of backlog	3.7%	3.3%	3.5%							
Net new business	351,300	388,300	392,154	398,000				2.5%	13.3%	1.5%
Book-to-bill	1.13x	1.20x	1.20x	1.20x						

Source: Company data and Jefferies LLC

PRA International
Earnings Model

Source: Jefferies & Co.

FY December

(\$ in 000s, except for EPS)

FY December	2013					2014					2015E						
(\$ in 000s, except for EPS)	Q1	Q2	Q3	Q4	2013	Q1	Q2	Q3	Q4	2014	Q1	Q2	Q3	Q4	2015	2016	
Net revenue	\$ 166,508	\$ 179,463	\$ 188,139	\$ 298,791	\$ 832,901	\$ 311,352	\$ 311,423	\$ 320,063	\$ 323,759	\$ 1,266,596	\$ 331,968	\$ 334,116	\$ 343,884	\$ 351,786	\$ 1,361,755	\$ 1,487,147	
										52.1%					7.5%	9.2%	
Direct costs	100,181	106,072	115,548	205,077	526,878	215,151	213,378	215,746	214,943	859,218	218,961	221,576	226,989	230,033	897,559	981,725	
SG&A	51,852	41,556	48,970	58,311	200,689	57,854	53,758	58,739	59,910	230,261	58,686	58,010	60,360	62,282	239,337	257,348	
FOREX	(6,078)	1,819	7,355	4,662	7,758	3,712	5,387	(10,658)	(8,979)	(10,538)	(9,066)	-	-	-	(9,066)	-	
Adj EBITDA	20,553	30,016	16,266	30,741	97,576	34,635	38,900	56,236	57,885	187,655	63,387	54,530	56,536	59,472	233,925	248,074	
Depreciation	4,143	3,978	4,445	5,487	18,053	5,895	4,910	5,989	5,418	22,212	5,128	5,325	5,528	5,737	21,718	25,118	
Total expenses	150,098	153,425	176,318	273,537	753,378	282,612	277,433	269,816	271,292	1,101,153	273,709	284,911	292,876	298,052	1,149,548	1,264,191	
Adj EBITA	16,410	26,038	11,821	25,254	79,523	28,740	33,990	50,247	52,467	165,443	58,259	49,205	51,008	53,735	212,207	222,956	
Interest income (expense)	(10,390)	(11,679)	(12,435)	(20,303)	(54,806)	(20,332)	(19,359)	(19,541)	(16,970)	(76,202)	(13,744)	(13,541)	(13,249)	(12,952)	(53,487)	(48,809)	
Other income (expense)	1	(296)	(263)	1,208	650	(59)	(116)	(532)	(2,020)	(2,727)	(464)	-	-	-	(464)	-	
Pretax income	6,021	14,063	(877)	6,159	25,367	8,349	14,514	30,174	33,477	86,514	44,051	35,665	37,758	40,782	158,256	174,147	
Taxes	1,806	4,219	(263)	1,848	7,610	3,548	4,354	10,259	11,382	29,544	13,215	10,699	11,327	12,235	47,477	52,244	
Adj Net income	4,215	9,844	(614)	4,312	17,757	4,801	10,160	19,915	22,095	56,970	30,836	24,965	26,431	28,547	110,779	121,903	
Adj EPS b/f charges	\$ 0.10	\$ 0.24	\$ (0.02)	\$ 0.11	\$ 0.44	\$ 0.12	\$ 0.25	\$ 0.49	\$ 0.42	\$ 1.29	\$ 0.49	\$ 0.39	\$ 0.41	\$ 0.45	\$ 1.74	\$ 1.90	
Diluted shares	40,286	40,286	40,286	40,286	40,286	40,624	40,286	40,286	53,008	44,121	62,777	63,822	63,866	63,908	63,843	63,993	
Common Size:																	
Net revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
Direct costs	60.2%	59.1%	61.4%	68.6%	63.3%	69.1%	68.5%	67.4%	66.4%	67.8%	66.0%	66.3%	66.0%	65.4%	65.9%	66.0%	
Gross margin	39.8%	40.9%	38.6%	31.4%	36.7%	30.9%	31.5%	32.6%	33.6%	32.2%	34.0%	33.7%	34.0%	34.6%	34.1%	34.0%	
SG&A	31.1%	23.2%	26.0%	19.5%	24.1%	18.6%	17.3%	18.4%	18.5%	18.2%	17.7%	17.4%	17.6%	17.7%	17.6%	17.3%	
Adj EBITDA	12.3%	16.7%	8.6%	10.3%	11.7%	11.1%	12.5%	17.6%	17.9%	14.8%	19.1%	16.3%	16.4%	16.9%	17.2%	16.7%	
Depreciation	2.5%	2.2%	2.4%	1.8%	2.2%	1.9%	1.6%	1.9%	1.7%	1.8%	1.5%	1.6%	1.6%	1.6%	1.6%	1.7%	
Total expenses	90.1%	85.5%	93.7%	91.5%	90.5%	90.8%	89.1%	84.3%	83.8%	86.9%	82.5%	85.3%	85.2%	84.7%	84.4%	85.0%	
Adj EBITA	9.9%	14.5%	6.3%	8.5%	9.5%	9.2%	10.9%	15.7%	16.2%	13.1%	17.5%	14.7%	14.8%	15.3%	15.6%	15.0%	
Interest income (expense)	-6.2%	-6.5%	-6.6%	-6.8%	-6.6%	-6.5%	-6.2%	-6.1%	-5.2%	-6.0%	-4.1%	-4.1%	-3.9%	-3.7%	-3.9%	-3.3%	
Other income (expense)	0.0%	-0.2%	-0.1%	0.4%	0.1%	0.0%	0.0%	-0.2%	-0.6%	-0.2%	-0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	
Pretax income	3.6%	7.8%	-0.5%	2.1%	3.0%	2.7%	4.7%	9.4%	10.3%	6.8%	13.3%	10.7%	11.0%	11.6%	11.6%	11.7%	
Taxes	30.0%	30.0%	30.0%	30.0%	30.0%	42.5%	30.0%	34.0%	34.0%	34.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	
Adjusted net income	2.5%	5.5%	-0.3%	1.4%	2.1%	1.5%	3.3%	6.2%	6.8%	4.5%	9.3%	7.5%	7.7%	8.1%	8.1%	8.2%	
% Change																	
Net Revenue	13.1%	22.2%	27.9%	91.7%	39.5%	87.0%	73.5%	70.1%	8.4%	52.1%	6.6%	7.3%	7.4%	8.7%	7.5%	9.2%	
Direct Costs	10.3%	20.2%	35.1%	118.2%	46.9%	114.8%	101.2%	86.7%	4.8%	63.1%	1.8%	3.8%	5.2%	7.0%	4.5%	9.4%	
SG&A	42.5%	17.4%	35.4%	26.8%	30.4%	11.6%	29.4%	19.9%	2.7%	14.7%	1.4%	7.9%	2.8%	4.0%	3.9%	7.5%	
Adj EBITDA	23.9%	14.3%	-23.1%	141.5%	27.2%	68.5%	29.6%	245.7%	88.3%	92.3%	83.0%	40.2%	0.5%	2.7%	24.7%	6.0%	
Depreciation	19.2%	7.3%	14.7%	37.8%	20.0%	42.3%	23.4%	34.7%	-1.3%	23.0%	-13.0%	8.4%	-7.7%	5.9%	-2.2%	15.7%	
Total expenses	11.9%	23.4%	35.8%	85.9%	40.7%	88.3%	80.8%	53.0%	-0.8%	46.2%	-3.2%	2.7%	8.5%	9.9%	4.4%	10.0%	
Adj EBITA	25.2%	15.5%	-31.6%	188.7%	28.9%	75.1%	30.5%	325.1%	107.8%	108.0%	102.7%	44.8%	1.5%	2.4%	28.3%	5.1%	
Interest expense	29.3%	52.8%	68.2%	108.1%	67.0%	95.7%	65.8%	57.2%	-16.4%	39.0%	-32.4%	-30.1%	-32.2%	-23.7%	-29.8%	-8.7%	
Pretax income	13.6%	-4.6%	-108.8%	-742.3%	-12.7%	38.7%	3.2%	-3542.1%	443.5%	241.1%	427.6%	145.7%	25.1%	21.8%	82.9%	10.0%	
Taxes	13.6%	-4.6%	-108.8%	-742.3%	-12.7%	96.4%	3.2%	-4001.1%	516.0%	288.2%	272.4%	145.7%	10.4%	7.5%	60.7%	10.0%	
Adj Net income	13.6%	-4.6%	-108.8%	-742.3%	-12.7%	13.9%	3.2%	-3345.5%	412.5%	220.8%	542.3%	145.7%	32.7%	29.2%	94.5%	10.0%	
EPS b/f Charges	13.6%	-4.6%	-108.8%	-742.3%	-12.7%	13.0%	3.2%	-3345.5%	289.5%	192.9%	315.7%	55.1%	-16.3%	7.2%	34.4%	9.8%	

Company Description

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

Analyst Certification:

I, David Windley, CFA, CPA, certify that all of the views expressed in this research report accurately reflect my personal views about the subject security(ies) and subject company(ies). I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

I, Sean Dodge, CFA, certify that all of the views expressed in this research report accurately reflect my personal views about the subject security(ies) and subject company(ies). I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

As is the case with all Jefferies employees, the analyst(s) responsible for the coverage of the financial instruments discussed in this report receives compensation based in part on the overall performance of the firm, including investment banking income. We seek to update our research as appropriate, but various regulations may prevent us from doing so. Aside from certain industry reports published on a periodic basis, the large majority of reports are published at irregular intervals as appropriate in the analyst's judgement.

Company Specific Disclosures

Jefferies Group LLC makes a market in the securities or ADRs of PRA Health Sciences.

Within the past 12 months, Jefferies Group LLC, its affiliates or subsidiaries has received compensation from investment banking services from PRA Health Sciences.

Within the past twelve months, PRA Health Sciences has been a client of Jefferies LLC and investment banking services are being or have been provided. Jefferies Group LLC, its affiliates or subsidiaries has acted as a manager or co-manager in the underwriting or placement of securities for PRA Health Sciences or one of its affiliates within the past twelve months.

Meanings of Jefferies Ratings

Buy - Describes stocks that we expect to provide a total return (price appreciation plus yield) of 15% or more within a 12-month period.

Hold - Describes stocks that we expect to provide a total return (price appreciation plus yield) of plus 15% or minus 10% within a 12-month period.

Underperform - Describes stocks that we expect to provide a total negative return (price appreciation plus yield) of 10% or more within a 12-month period.

The expected total return (price appreciation plus yield) for Buy rated stocks with an average stock price consistently below \$10 is 20% or more within a 12-month period as these companies are typically more volatile than the overall stock market. For Hold rated stocks with an average stock price consistently below \$10, the expected total return (price appreciation plus yield) is plus or minus 20% within a 12-month period. For Underperform rated stocks with an average stock price consistently below \$10, the expected total return (price appreciation plus yield) is minus 20% within a 12-month period.

NR - The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Jefferies policies.

CS - Coverage Suspended. Jefferies has suspended coverage of this company.

NC - Not covered. Jefferies does not cover this company.

Restricted - Describes issuers where, in conjunction with Jefferies engagement in certain transactions, company policy or applicable securities regulations prohibit certain types of communications, including investment recommendations.

Monitor - Describes stocks whose company fundamentals and financials are being monitored, and for which no financial projections or opinions on the investment merits of the company are provided.

Valuation Methodology

Jefferies' methodology for assigning ratings may include the following: market capitalization, maturity, growth/value, volatility and expected total return over the next 12 months. The price targets are based on several methodologies, which may include, but are not restricted to, analyses of market risk, growth rate, revenue stream, discounted cash flow (DCF), EBITDA, EPS, cash flow (CF), free cash flow (FCF), EV/EBITDA, P/E, PE/growth, P/CF, P/FCF, premium (discount)/average group EV/EBITDA, premium (discount)/average group P/E, sum of the parts, net asset value, dividend returns, and return on equity (ROE) over the next 12 months.

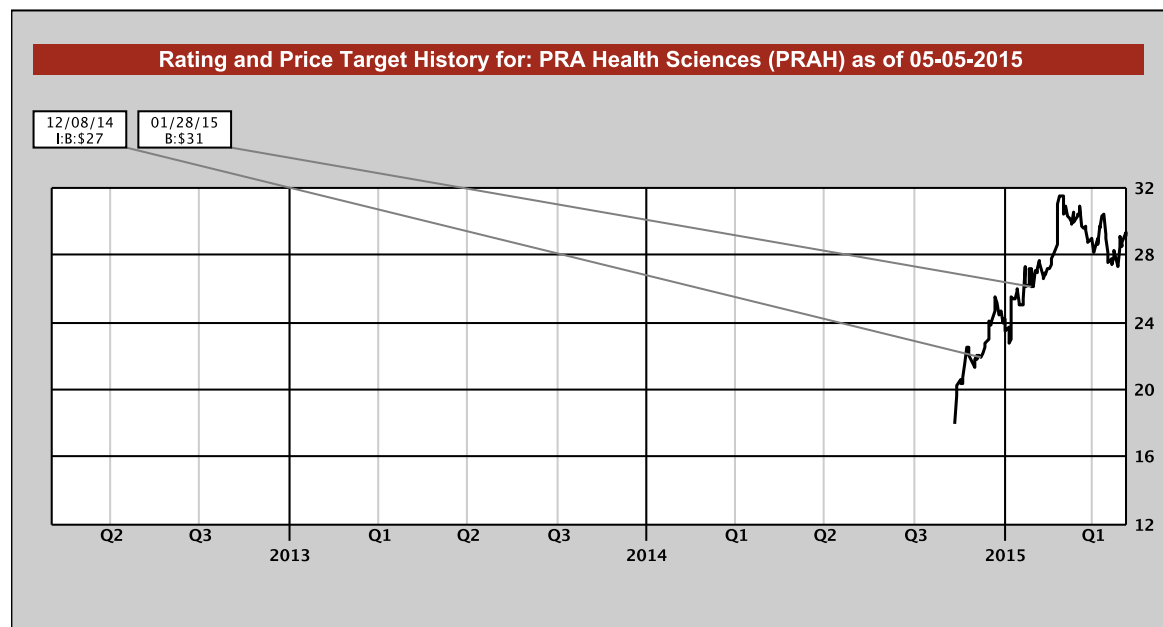
Jefferies Franchise Picks

Jefferies Franchise Picks include stock selections from among the best stock ideas from our equity analysts over a 12 month period. Stock selection is based on fundamental analysis and may take into account other factors such as analyst conviction, differentiated analysis, a favorable risk/reward ratio and investment themes that Jefferies analysts are recommending. Jefferies Franchise Picks will include only Buy rated stocks and the number can vary depending on analyst recommendations for inclusion. Stocks will be added as new opportunities arise and removed when the reason for inclusion changes, the stock has met its desired return, if it is no longer rated Buy and/or if it triggers a stop loss. Stocks having 120 day volatility in the bottom quartile of S&P stocks will continue to have a 15% stop loss, and the remainder will have a 20% stop. Franchise Picks are not intended

to represent a recommended portfolio of stocks and is not sector based, but we may note where we believe a Pick falls within an investment style such as growth or value.

Risk which may impede the achievement of our Price Target

This report was prepared for general circulation and does not provide investment recommendations specific to individual investors. As such, the financial instruments discussed in this report may not be suitable for all investors and investors must make their own investment decisions based upon their specific investment objectives and financial situation utilizing their own financial advisors as they deem necessary. Past performance of the financial instruments recommended in this report should not be taken as an indication or guarantee of future results. The price, value of, and income from, any of the financial instruments mentioned in this report can rise as well as fall and may be affected by changes in economic, financial and political factors. If a financial instrument is denominated in a currency other than the investor's home currency, a change in exchange rates may adversely affect the price of, value of, or income derived from the financial instrument described in this report. In addition, investors in securities such as ADRs, whose values are affected by the currency of the underlying security, effectively assume currency risk.



Distribution of Ratings

Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
BUY	1064	51.23%	287	26.97%
HOLD	842	40.54%	160	19.00%
UNDERPERFORM	171	8.23%	11	6.43%

Other Important Disclosures

Jefferies Equity Research refers to research reports produced by analysts employed by one of the following Jefferies Group LLC ("Jefferies") group companies:

United States: Jefferies LLC which is an SEC registered firm and a member of FINRA.

United Kingdom: Jefferies International Limited, which is authorized and regulated by the Financial Conduct Authority; registered in England and Wales No. 1978621; registered office: Vintners Place, 68 Upper Thames Street, London EC4V 3BJ; telephone +44 (0)20 7029 8000; facsimile +44 (0)20 7029 8010.

Hong Kong: Jefferies Hong Kong Limited, which is licensed by the Securities and Futures Commission of Hong Kong with CE number AT5546; located at Suite 2201, 22nd Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong.

Singapore: Jefferies Singapore Limited, which is licensed by the Monetary Authority of Singapore; located at 80 Raffles Place #15-20, UOB Plaza 2, Singapore 048624, telephone: +65 6551 3950.

Japan: Jefferies (Japan) Limited, Tokyo Branch, which is a securities company registered by the Financial Services Agency of Japan and is a member of the Japan Securities Dealers Association; located at Hibiya Marine Bldg, 3F, 1-5-1 Yuraku-cho, Chiyoda-ku, Tokyo 100-0006; telephone +813 5251 6100; facsimile +813 5251 6101.

India: Jefferies India Private Limited (CIN - U74140MH2007PTC200509), which is licensed by the Securities and Exchange Board of India as a Merchant Banker (INM000011443) and a Stock Broker with Bombay Stock Exchange Limited (INB011491033) and National Stock Exchange of India Limited (INB231491037) in the Capital Market Segment; located at 42/43, 2 North Avenue, Maker Maxity, Bandra-Kurla Complex, Bandra (East) Mumbai 400 051, India; Tel +91 22 4356 6000.

This material has been prepared by Jefferies employing appropriate expertise, and in the belief that it is fair and not misleading. The information set forth herein was obtained from sources believed to be reliable, but has not been independently verified by Jefferies. Therefore, except for any obligation under applicable rules we do not guarantee its accuracy. Additional and supporting information is available upon request. Unless prohibited by the provisions of Regulation S of the U.S. Securities Act of 1933, this material is distributed in the United States ("US"), by Jefferies LLC, a US-registered broker-dealer, which accepts responsibility for its contents in accordance with the provisions of Rule 15a-6, under the US Securities Exchange Act of 1934. Transactions by or on behalf of any US person may only be effected through Jefferies LLC. In the United Kingdom and European Economic Area this report is issued and/or approved for distribution by Jefferies International Limited and is intended for use only by persons who have, or have been assessed as having, suitable professional experience and expertise, or by persons to whom it can be otherwise lawfully distributed. Jefferies International Limited has adopted a conflicts management policy in connection with the preparation and publication of research, the details of which are available upon request in writing to the Compliance Officer. Jefferies International Limited may allow its analysts to undertake private consultancy work. Jefferies International Limited's conflicts management policy sets out the arrangements Jefferies International Limited employs to manage any potential conflicts of interest that may arise as a result of such consultancy work. For Canadian investors, this material is intended for use only by professional or institutional investors. None of the investments or investment services mentioned or described herein is available to other persons or to anyone in Canada who is not a "Designated Institution" as defined by the Securities Act (Ontario). In Singapore, Jefferies Singapore Limited is regulated by the Monetary Authority of Singapore. For investors in the Republic of Singapore, this material is provided by Jefferies Singapore Limited pursuant to Regulation 32C of the Financial Advisers Regulations. The material contained in this document is intended solely for accredited, expert or institutional investors, as defined under the Securities and Futures Act (Cap. 289 of Singapore). If there are any matters arising from, or in connection with this material, please contact Jefferies Singapore Limited, located at 80 Raffles Place #15-20, UOB Plaza 2, Singapore 048624, telephone: +65 6551 3950. In Japan this material is issued and distributed by Jefferies (Japan) Limited to institutional investors only. In Hong Kong, this report is issued and approved by Jefferies Hong Kong Limited and is intended for use only by professional investors as defined in the Hong Kong Securities and Futures Ordinance and its subsidiary legislation. In the Republic of China (Taiwan), this report should not be distributed. The research in relation to this report is conducted outside the PRC. This report does not constitute an offer to sell or the solicitation of an offer to buy any securities in the PRC. PRC investors shall have the relevant qualifications to invest in such securities and shall be responsible for obtaining all relevant approvals, licenses, verifications and/or registrations from the relevant governmental authorities themselves. In India this report is made available by Jefferies India Private Limited. In Australia this information is issued solely by Jefferies International Limited and is directed solely at wholesale clients within the meaning of the Corporations Act 2001 of Australia (the "Act") in connection with their consideration of any investment or investment service that is the subject of this document. Any offer or issue that is the subject of this document does not require, and this document is not, a disclosure document or product disclosure statement within the meaning of the Act. Jefferies International Limited is authorised and regulated by the Financial Conduct Authority under the laws of the United Kingdom, which differ from Australian laws. Jefferies International Limited has obtained relief under Australian Securities and Investments Commission Class Order 03/1099, which conditionally exempts it from holding an Australian financial services licence under the Act in respect of the provision of certain financial services to wholesale clients. Recipients of this document in any other jurisdictions should inform themselves about and observe any applicable legal requirements in relation to the receipt of this document.

This report is not an offer or solicitation of an offer to buy or sell any security or derivative instrument, or to make any investment. Any opinion or estimate constitutes the preparer's best judgment as of the date of preparation, and is subject to change without notice. Jefferies assumes no obligation to maintain or update this report based on subsequent information and events. Jefferies, its associates or affiliates, and its respective officers, directors, and employees may have long or short positions in, or may buy or sell any of the securities, derivative instruments or other investments mentioned or described herein, either as agent or as principal for their own account. Upon request Jefferies may provide specialized research products or services to certain customers focusing on the prospects for individual covered stocks as compared to other covered stocks over varying time horizons or under differing market conditions. While the views expressed in these situations may not always be directionally consistent with the long-term views expressed in the analyst's published research, the analyst has a reasonable basis and any inconsistencies can be reasonably explained. This material does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Clients should consider whether any advice or recommendation in this report is suitable for their particular circumstances and, if appropriate, seek professional advice, including tax advice. The price and value of the investments referred to herein and the income from them may fluctuate. Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of original capital may occur. Fluctuations in exchange

rates could have adverse effects on the value or price of, or income derived from, certain investments. This report has been prepared independently of any issuer of securities mentioned herein and not in connection with any proposed offering of securities or as agent of any issuer of securities. None of Jefferies, any of its affiliates or its research analysts has any authority whatsoever to make any representations or warranty on behalf of the issuer(s). Jefferies policy prohibits research personnel from disclosing a recommendation, investment rating, or investment thesis for review by an issuer prior to the publication of a research report containing such rating, recommendation or investment thesis. Any comments or statements made herein are those of the author(s) and may differ from the views of Jefferies.

This report may contain information obtained from third parties, including ratings from credit ratings agencies such as Standard & Poor's. Reproduction and distribution of third party content in any form is prohibited except with the prior written permission of the related third party. Third party content providers do not guarantee the accuracy, completeness, timeliness or availability of any information, including ratings, and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such content. Third party content providers give no express or implied warranties, including, but not limited to, any warranties of merchantability or fitness for a particular purpose or use. Third party content providers shall not be liable for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including lost income or profits and opportunity costs) in connection with any use of their content, including ratings. Credit ratings are statements of opinions and are not statements of fact or recommendations to purchase, hold or sell securities. They do not address the suitability of securities or the suitability of securities for investment purposes, and should not be relied on as investment advice.

Jefferies research reports are disseminated and available primarily electronically, and, in some cases, in printed form. Electronic research is simultaneously available to all clients. This report or any portion hereof may not be reprinted, sold or redistributed without the written consent of Jefferies. Neither Jefferies nor any officer nor employee of Jefferies accepts any liability whatsoever for any direct, indirect or consequential damages or losses arising from any use of this report or its contents.

For Important Disclosure information, please visit our website at <https://javatar.bluematrix.com/sellside/Disclosures.action> or call 1.888.JEFFERIES

© 2015 Jefferies Group LLC