

## Equity Research

### PRA Health Sciences, Inc.

#### PRAH: Q1 2015 Earnings Full Analysis

• **What to do from here.** PRAH's strong margin performance in the quarter and improved outlook for 2015 are encouraging. However, we believe the margin upside relative to our estimate was driven by FX, and we believe the increase in guidance is almost entirely due to FX. The FX benefit is sustainable as long as rates are stable, but the quarter demonstrates how a significant lack of natural hedging on the direct cost line (a higher proportion of costs than revenue in European currencies) could be a risk should the dollar weaken. Revenue and bookings trends were mostly in-line with our forecast, and our long-term outlook remains unchanged. Raising our 2015/2016E EPS to \$1.61/1.96 from \$1.35/1.72 previously.

• **Financial highlights.** PRAH reported Q1 EPS of \$0.38 (including stock comp). Excluding stock comp, EPS would have been \$0.41 compared to consensus of \$0.31. Management indicates that about \$0.07 of the EPS upside is from FX with the remaining \$0.03 being from operations (chiefly in the SG&A line). Reported revenue was \$332MM versus consensus of \$330MM. The operating margin came in at a very strong 14.8% versus our estimate of 12.8%, which was due primarily to strong gross margin performance. The net book-to-bill in the quarter was 1.20 versus our estimate of 1.17, with slightly lower cancellations than we anticipated being the driver of the bookings beat.

• **Guidance highlights.** PRAH reduced its 2015 revenue guidance by \$10MM to \$1.34-1.39B from \$1.35-1.40B previously. The company increased the EPS guidance to \$1.62-1.72 from \$1.35-1.45 previously. The changes are almost entirely due to FX.

#### Valuation Range: \$32.00 to \$34.00

Our valuation range is DCF-based (WACC = 8.5%; terminal NOPLAT growth = 2%) and represents 16.8x our 2016E EPS estimate. Risks include: (1) project cancellations or delays due to client M&A, economic weakness, pipeline reprioritization, or compound failure; (2) a reversal in the trend toward increased outsourcing; (3) regulatory risks; (4) significant financial leverage; (5) integration risks, and (6) controlled company status.

#### Investment Thesis:

Between high-single digit revenue growth, ongoing margin expansion, and a reduction in interest expense, we believe the company will be able to generate solid 20%+ earnings growth for several years, which we believe is attractive growth at current valuation levels.

## Outperform / V

Sector: Pharmaceutical Services

Overweight

### Earnings Estimates Revised Up

EPS	2014A	2015E		2016E	
		Curr.	Prior	Curr.	Prior
Q1 (Mar.)	\$0.18	<b>\$0.38 A</b>	<b>0.31</b>	<b>\$0.46</b>	<b>0.40</b>
Q2 (June)	0.34	<b>0.38</b>	<b>0.32</b>	<b>0.48</b>	<b>0.42</b>
Q3 (Sep.)	0.30	<b>0.41</b>	<b>0.34</b>	<b>0.50</b>	<b>0.44</b>
Q4 (Dec.)	0.31	<b>0.44</b>	<b>0.38</b>	<b>0.52</b>	<b>0.46</b>
FY	\$1.12	<b>\$1.61</b>	<b>1.35</b>	<b>\$1.96</b>	<b>1.72</b>
CY	\$1.12	\$1.61		\$1.96	
FY P/EPS	26.4x	18.4x		15.1x	
Rev.(MM)	\$1,267	\$1,365		\$1,492	

Source: Company Data, Wells Fargo Securities, LLC estimates, and Reuters  
NA = Not Available, NC = No Change, NE = No Estimate, NM = Not Meaningful  
V = Volatile, \* = Company is on the Priority Stock List

Non-GAAP EPS excludes amortization of purchased intangibles and certain non-recurring items

Ticker	PRAH
Price (05/07/2015)	\$29.58
52-Week Range:	\$18-32
Shares Outstanding: (MM)	57.3
Market Cap.: (MM)	\$1,694.9
S&P 500:	2,092.84
Avg. Daily Vol.:	151,354
Dividend/Yield:	\$0.00/0.0%
LT Debt: (MM)	\$934.0
LT Debt/Total Cap.:	59.0%
ROE:	30.0%
3-5 Yr. Est. Growth Rate:	19.0%
CY 2015 Est. P/EPS-to-Growth:	1.0x
Last Reporting Date:	05/06/2015

Source: Company Data, Wells Fargo Securities, LLC estimates, and Reuters

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Please see page 7 for rating definitions, important disclosures and required analyst certifications

All estimates/forecasts are as of 05/07/15 unless otherwise stated.

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Together we'll go far



## Exhibit 1. Variance Table

Report Date:

5/6/2015

FY ending December In MM except EPS	Actual		Est	Actual	Cons	Yr / Yr change	Seq change
	Q1 2014	Q4 2014	Q1 2015	Q1 2015	Q1 2015		
Total revenues	\$ 311	\$ 324	\$ 330	\$ 332	\$ 330	6.6%	2.5%
Cost of revenues	215	215	223	219		1.7%	1.8%
Gross profit	96	109	107	113		17.7%	4.0%
Selling, general & administrative	58	60	59	59		1.7%	(1.7%)
Depreciation	6	5	6	5		(13.0%)	(5.4%)
Operating income	32	43	42	49		51.6%	13.1%
Interest expense and other, net	20	17	13	14		(32.4%)	(19.0%)
Pretax income	12	27	29	35		192.5%	33.7%
Provision for income taxes	5	9	9	11		126.3%	15.5%
Income before equity in affiliates	7	17	\$ 20	\$ 25		234.5%	43.4%
Equity in earnings from JV	(0)	(1)	(1)	(1)		429.4%	(9.6%)
Net income	7	16	\$ 19	\$ 24		229.8%	46.8%
<b>Non-GAAP EPS</b>	<b>\$ 0.18</b>	<b>\$ 0.31</b>	<b>\$ 0.31</b>	<b>\$ 0.38</b>		111.5%	23.9%
Non-GAAP EPS (company method)	\$ 0.20	\$ 0.35	\$ 0.33	\$ 0.41	\$ 0.31	100.7%	16.9%
Diluted shares outstanding	40	53	62	63		55.9%	18.4%
<b>EBITDA</b>	<b>\$ 38</b>	<b>\$ 49</b>	<b>\$ 48</b>	<b>\$ 54</b>		41.7%	11.1%
<b>MARGIN ANALYSIS</b>							
Cost of revenue	69.1%	66.4%	67.6%	65.9%		(320) bps	(50) bps
<b>Gross margin</b>	<b>30.9%</b>	<b>33.6%</b>	<b>32.4%</b>	<b>34.1%</b>		320 bps	50 bps
SG&A / revenue	18.6%	18.5%	17.9%	17.7%		(90) bps	(80) bps
Depreciation / revenue	1.9%	1.7%	1.7%	1.5%		(30) bps	(10) bps
<b>Operating margin</b>	<b>10.4%</b>	<b>13.4%</b>	<b>12.8%</b>	<b>14.8%</b>		440 bps	140 bps
Pretax margin	3.9%	8.2%	8.7%	10.7%		680 bps	250 bps
<b>Tax rate</b>	<b>38.9%</b>	<b>34.8%</b>	<b>30.0%</b>	<b>30.1%</b>		(880) bps	(470) bps
Net margin	<b>2.4%</b>	<b>5.3%</b>	<b>6.1%</b>	<b>7.5%</b>		510 bps	210 bps
<b>EBITDA margin</b>	<b>12.3%</b>	<b>15.1%</b>	<b>14.5%</b>	<b>16.4%</b>		400 bps	130 bps
<b>REVENUE ANALYSIS</b>							
<b>Total revenues</b>	<b>\$ 311</b>	<b>\$ 324</b>	<b>\$ 330</b>	<b>\$ 332</b>		6.6%	2.5%
Growth: core	11.7%	8.3%	10.3%	9.6%			
Growth: FX	2.5%	(1.6%)	(4.4%)	(3.0%)			
Growth: acquisitions	<u>72.8%</u>	<u>1.7%</u>	<u>0.0%</u>	<u>0.0%</u>			
Growth: total	87.0%	8.4%	5.9%	6.6%			
<b>BOOKINGS &amp; BACKLOG</b>							
Beginning backlog	\$ 1,940	\$ 2,091	\$ 2,141	\$ 2,141		10.4%	2.4%
Revenue	(311)	(324)	(330)	(332)			
Gross bookings	423	457	447	444		5.1%	(2.7%)
Cancellations	(72)	(68)	(62)	(46)			
Other adjustments	8	(15)	(22)	(22)			
Ending backlog	\$ 1,987	\$ 2,141	\$ 2,174	\$ 2,185		10.0%	2.1%
Total net bookings	\$ 351	\$ 388	\$ 385	\$ 398		13.3%	2.5%
Gross book-to-bill	1.36	1.41	1.36	1.34			
Net book-to-bill	1.13	1.20	1.17	1.20			
Backlog burn rate	16.1%	15.5%	15.4%	15.5%			

Source: FactSet; Company data; Wells Fargo Securities, LLC estimates

**Exhibit 2. Estimate Changes**

FY ending December In MM except EPS	2015E			2016E		
	Prior	Current	Change	Prior	Current	Change
Total revenues	\$ 1,353	\$ 1,365	0.9%	\$ 1,469	\$ 1,492	1.5%
Cost of revenues	918	906	(1.3%)	995	992	(0.3%)
Gross profit	435	459	5.5%	475	500	5.3%
Selling, general & administrative	238	239	0.6%	254	258	1.5%
Depreciation	23	21	(9.4%)	26	26	(0.5%)
Operating income	174	199	14.1%	195	216	11.0%
Interest expense and other, net	53	53	0.4%	48	47	(1.8%)
Pretax income	121	146	20.0%	147	169	15.2%
Provision for income taxes	36	44	20.1%	42	48	15.2%
Income before equity in affiliates	85	\$ 102	20.0%	105	\$ 121	15.2%
Equity in earnings from JV	(1)	(1)	(6.3%)	3	3	0.0%
Net income	84	\$ 101	20.3%	108	\$ 124	14.8%
<b>Non-GAAP EPS</b>	<b>\$ 1.35</b>	<b>\$ 1.61</b>		<b>\$ 1.72</b>	<b>\$ 1.96</b>	
Non-GAAP EPS (company method)	\$ 1.41	\$ 1.67		\$ 1.72	\$ 1.95	
Diluted shares outstanding	62	63		63	63	
<b>EBITDA</b>	<b>\$ 198</b>	<b>\$ 220</b>	<b>11.3%</b>	<b>\$ 220</b>	<b>\$ 242</b>	<b>9.7%</b>
<b>MARGIN ANALYSIS</b>						
Cost of revenue	67.8%	66.4%	(150) bps	67.7%	66.5%	(120) bps
<b>Gross margin</b>	<b>32.2%</b>	<b>33.6%</b>	<b>150 bps</b>	<b>32.3%</b>	<b>33.5%</b>	<b>120 bps</b>
SG&A / revenue	17.6%	17.5%	0 bps	17.3%	17.3%	0 bps
Depreciation / revenue	1.7%	1.5%	(20) bps	1.8%	1.7%	0 bps
<b>Operating margin</b>	<b>12.9%</b>	<b>14.6%</b>	<b>170 bps</b>	<b>13.2%</b>	<b>14.5%</b>	<b>120 bps</b>
Pretax margin	9.0%	10.7%	170 bps	10.0%	11.3%	130 bps
<b>Tax rate</b>	<b>30.0%</b>	<b>30.0%</b>	<b>0 bps</b>	<b>28.5%</b>	<b>28.5%</b>	<b>0 bps</b>
Net margin	6.3%	7.5%	120 bps	7.1%	8.1%	100 bps
<b>EBITDA margin</b>	<b>14.6%</b>	<b>16.1%</b>	<b>150 bps</b>	<b>15.0%</b>	<b>16.2%</b>	<b>120 bps</b>
<b>REVENUE ANALYSIS</b>						
<b>Total revenues</b>	<b>\$ 1,353</b>	<b>\$ 1,365</b>	<b>0.9%</b>	<b>\$ 1,469</b>	<b>\$ 1,492</b>	<b>1.5%</b>
Growth: core	11.2%	11.1%		8.7%	9.5%	
Growth: FX	(4.4%)	(3.4%)		(0.2%)	(0.1%)	
Growth: acquisitions	0.0%	0.0%		0.0%	0.0%	
Growth: total	6.9%	7.8%		8.6%	9.3%	
<b>BOOKINGS &amp; BACKLOG</b>						
Beginning backlog	\$ 2,141	\$ 2,141	0.0%	\$ 2,331	\$ 2,367	1.5%
Revenue	(1,353)	(1,365)		(1,469)	(1,492)	
Gross bookings	1,829	1,835		1,984	2,014	
Cancellations	(256)	(214)		(280)	(285)	
Other adjustments	(30)	(31)		-	-	
Ending backlog	\$ 2,331	\$ 2,367	1.5%	\$ 2,565	\$ 2,604	1.5%
Total net bookings	\$ 1,573	\$ 1,621	3.0%	\$ 1,703	\$ 1,730	1.5%
Gross book-to-bill	1.35	1.34		1.35	1.35	
Net book-to-bill	1.16	1.19		1.16	1.16	
Backlog burn rate	63.2%	63.7%		63.0%	63.0%	

Source: FactSet; Company data; Wells Fargo Securities, LLC estimates

**Exhibit 3. Guidance Table**

Guidance	Q1 2015	Q2 2015	Q3 2015	Q4 2015	2015	Notes
<b>Consolidated Revenue (MM)</b>						
2/19/2015					\$1,350-1,400	8-12% cc growth; Assumes first of January FX rates
5/6/2015					\$1,340-1,390	Assumes April FX rates
<b>Taxes (MM)</b>						
2/19/2015					30%	
5/6/2015					30%	
<b>Adjusted EPS</b>						
2/19/2015					\$1.35-1.45	
5/6/2015					\$1.62-1.72	

Source: Company data; Wells Fargo Securities, LLC

**PRA Health Sciences Summary Data (FY Ending December)**  
In millions, except per share or where otherwise noted

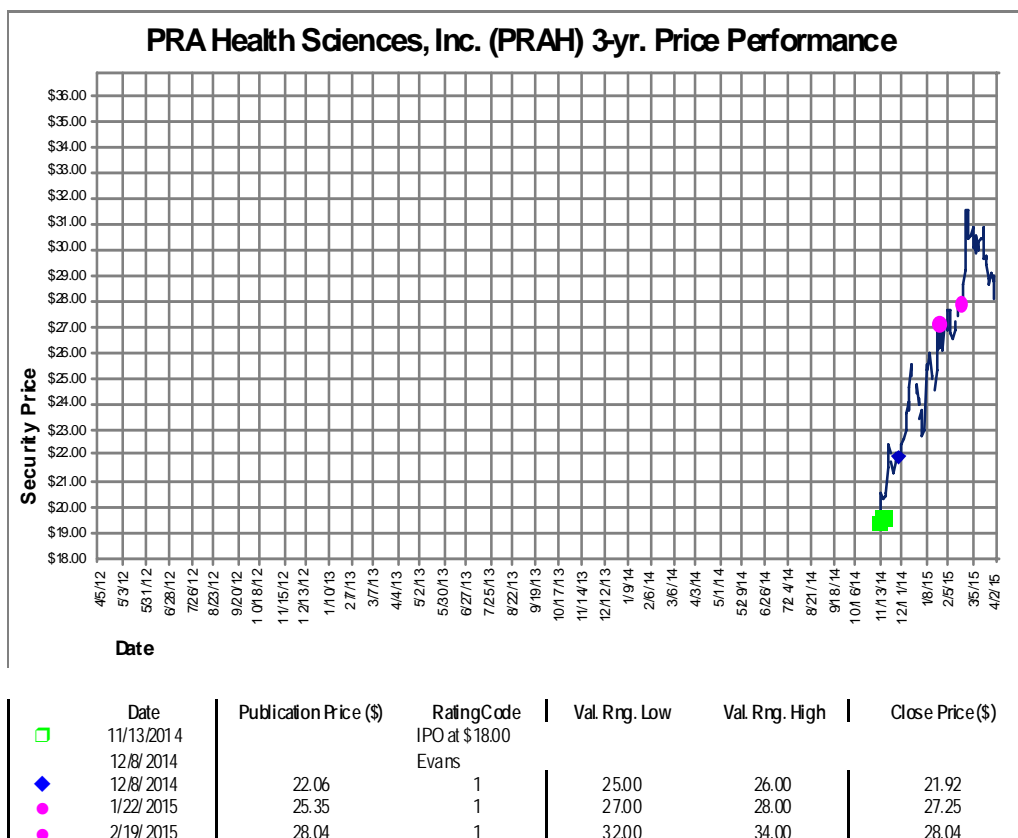
INCOME STATEMENT	2011	2012	2013	Q1	Q2	Q3	Q4	2014	Q1	Q2E	Q3E	Q4E	2015E	2016E
Total revenues	\$ 548	\$ 597	\$ 833	\$ 311	\$ 311	\$ 320	\$ 324	\$ 1,267	\$ 332	\$ 337	\$ 344	\$ 352	\$ 1,365	\$ 1,492
Cost of revenues	321	359	527	215	213	216	215	859	219	224	229	234	906	992
Gross profit	226	239	306	96	98	104	109	407	113	113	115	118	459	500
Selling, general & administrative	135	154	201	58	54	59	60	230	59	59	60	61	239	258
Depreciation	13	15	18	6	5	6	5	22	5	5	5	6	21	26
Operating income	78	70	87	32	39	40	43	155	49	48	50	51	199	216
Interest expense and other, net	31	28	53	20	19	20	17	76	14	13	13	13	53	47
Pretax income	47	41	34	12	20	20	27	79	35	35	37	39	146	169
Provision for income taxes	15	16	24	5	6	7	9	27	11	10	11	12	44	48
Income before equity in affiliate	\$ 32	\$ 25	\$ 10	\$ 7	\$ 14	\$ 13	\$ 17	\$ 52	\$ 25	\$ 24	\$ 26	\$ 27	\$ 102	\$ 121
Equity in earnings from unconsolidated	-	-	(1)	(0)	(0)	(0)	(1)	(2)	(1)	(1)	-	1	(1)	3
Net income	\$ 32	\$ 25	\$ 9	\$ 7	\$ 14	\$ 12	\$ 16	\$ 50	\$ 24	\$ 24	\$ 26	\$ 28	\$ 101	\$ 124
<b>Non-GAAP EPS</b>	<b>\$ 0.78</b>	<b>\$ 0.63</b>	<b>\$ 0.22</b>	<b>\$ 0.18</b>	<b>\$ 0.34</b>	<b>\$ 0.30</b>	<b>\$ 0.31</b>	<b>\$ 1.12</b>	<b>\$ 0.38</b>	<b>\$ 0.38</b>	<b>\$ 0.41</b>	<b>\$ 0.44</b>	<b>\$ 1.61</b>	<b>\$ 1.96</b>
Non-GAAP EPS (company method)	\$ 0.84	\$ 0.80	\$ 0.63	\$ 0.20	\$ 0.36	\$ 0.34	\$ 0.35	\$ 1.26	\$ 0.41	\$ 0.40	\$ 0.42	\$ 0.44	\$ 1.67	\$ 1.95
Diluted shares outstanding	41	40	40	40	40	42	53	44	63	63	63	63	63	63
<b>EBITDA</b>	<b>\$ 92</b>	<b>\$ 85</b>	<b>\$ 105</b>	<b>\$ 38</b>	<b>\$ 44</b>	<b>\$ 46</b>	<b>\$ 49</b>	<b>\$ 177</b>	<b>\$ 54</b>	<b>\$ 54</b>	<b>\$ 55</b>	<b>\$ 57</b>	<b>\$ 220</b>	<b>\$ 242</b>
<b>MARGIN ANALYSIS</b>														
Cost of revenue	58.7%	60.1%	63.3%	69.1%	68.5%	67.4%	66.4%	67.8%	65.9%	66.5%	66.5%	66.5%	66.4%	66.5%
<b>Gross margin</b>	<b>41.3%</b>	<b>39.9%</b>	<b>36.7%</b>	<b>30.9%</b>	<b>31.5%</b>	<b>32.6%</b>	<b>33.6%</b>	<b>32.2%</b>	<b>34.1%</b>	<b>33.5%</b>	<b>33.5%</b>	<b>33.5%</b>	<b>33.6%</b>	<b>33.5%</b>
SG&A / revenue	24.6%	25.8%	24.1%	18.6%	17.3%	18.4%	18.5%	18.2%	17.7%	17.6%	17.5%	17.3%	17.5%	17.3%
Depreciation / revenue	2.4%	2.5%	2.2%	1.9%	1.6%	1.9%	1.7%	1.8%	1.5%	1.5%	1.6%	1.6%	1.5%	1.7%
<b>Operating margin</b>	<b>14.3%</b>	<b>11.6%</b>	<b>10.5%</b>	<b>10.4%</b>	<b>12.6%</b>	<b>12.4%</b>	<b>13.4%</b>	<b>12.2%</b>	<b>14.8%</b>	<b>14.4%</b>	<b>14.4%</b>	<b>14.6%</b>	<b>14.6%</b>	<b>14.5%</b>
Pretax margin	8.6%	6.9%	4.1%	3.9%	6.4%	6.3%	8.2%	6.2%	10.7%	10.4%	10.6%	11.0%	10.7%	11.3%
<b>Tax rate</b>	<b>32.3%</b>	<b>39.4%</b>	<b>70.5%</b>	<b>38.9%</b>	<b>30.4%</b>	<b>35.3%</b>	<b>34.8%</b>	<b>34.4%</b>	<b>30.1%</b>	<b>30.0%</b>	<b>30.0%</b>	<b>30.0%</b>	<b>30.0%</b>	<b>28.5%</b>
Net margin	5.8%	4.2%	1.2%	2.4%	4.5%	4.1%	5.3%	4.1%	7.5%	7.3%	7.4%	7.7%	7.5%	8.1%
<b>EBITDA margin</b>	<b>16.7%</b>	<b>14.2%</b>	<b>12.6%</b>	<b>12.3%</b>	<b>14.2%</b>	<b>14.2%</b>	<b>15.1%</b>	<b>14.0%</b>	<b>16.4%</b>	<b>15.9%</b>	<b>16.0%</b>	<b>16.2%</b>	<b>16.1%</b>	<b>16.2%</b>
<b>CHANGE ANALYSIS (Y/Y)</b>														
Total revenues	21.4%	9.0%	39.5%	87.0%	73.5%	70.1%	8.4%	52.1%	6.6%	8.1%	7.6%	8.7%	7.8%	9.3%
Cost of revenue	29.3%	11.6%	46.9%	114.8%	101.2%	86.7%	4.8%	63.1%	1.7%	4.9%	6.2%	8.9%	5.4%	9.5%
<b>Gross profit</b>	<b>11.7%</b>	<b>5.3%</b>	<b>28.3%</b>	<b>45.0%</b>	<b>33.6%</b>	<b>43.7%</b>	<b>16.1%</b>	<b>33.1%</b>	<b>17.7%</b>	<b>15.0%</b>	<b>10.6%</b>	<b>8.4%</b>	<b>12.7%</b>	<b>8.8%</b>
SG&A	15.9%	14.1%	30.4%	12.3%	29.4%	21.1%	1.4%	14.7%	1.7%	10.2%	2.6%	1.7%	3.9%	7.9%
Depreciation	9.9%	13.6%	20.0%	42.3%	23.4%	34.7%	(1.3%)	23.0%	(13.0%)	4.1%	(10.7%)	2.7%	(4.8%)	21.5%
<b>Operating income</b>	<b>5.4%</b>	<b>(11.2%)</b>	<b>25.5%</b>	<b>204.7%</b>	<b>41.4%</b>	<b>101.7%</b>	<b>49.2%</b>	<b>77.5%</b>	<b>51.6%</b>	<b>22.9%</b>	<b>25.7%</b>	<b>18.3%</b>	<b>28.3%</b>	<b>8.6%</b>
Pretax income	15.9%	(12.6%)	(16.2%)	1263.3%	18.8%	156.5%	200.2%	128.9%	192.5%	74.7%	82.3%	45.5%	84.9%	16.2%
Net income	51.5%	(21.8%)	(64.1%)	2669.9%	15.9%	NA	73.1%	455.2%	229.8%	76.6%	104.7%	69.3%	103.7%	22.8%
<b>EPS</b>	<b>47.8%</b>	<b>(19.9%)</b>	<b>(64.7%)</b>					<b>406.7%</b>	<b>111.5%</b>	<b>13.2%</b>	<b>37.0%</b>	<b>42.6%</b>	<b>43.0%</b>	<b>21.9%</b>
Diluted shares outstanding	2.5%	(2.4%)	1.6%					9.6%	55.9%	56.0%	49.4%	18.7%	42.4%	0.8%
<b>EBITDA</b>	<b>6.0%</b>	<b>(7.6%)</b>	<b>24.5%</b>	<b>159.2%</b>	<b>39.1%</b>	<b>89.3%</b>	<b>41.2%</b>	<b>68.1%</b>	<b>41.7%</b>	<b>20.8%</b>	<b>20.9%</b>	<b>16.6%</b>	<b>24.2%</b>	<b>9.9%</b>
<b>REVENUE ANALYSIS</b>														
Total revenues	\$ 548	\$ 597	\$ 833	\$ 311	\$ 311	\$ 320	\$ 324	\$ 1,267	\$ 332	\$ 337	\$ 344	\$ 352	\$ 1,365	\$ 1,492
Growth: core	19.1%	10.2%	15.2%	11.7%	4.1%	10.4%	8.3%	8.5%	9.6%	12.4%	11.3%	11.2%	11.1%	9.5%
Growth: FX	2.3%	(1.2%)	(0.4%)	2.5%	3.7%	0.2%	(1.6%)	0.8%	(3.0%)	(4.3%)	(3.7%)	(2.4%)	(3.4%)	(0.1%)
Growth: acquisitions	0.0%	0.0%	24.7%	72.8%	65.7%	59.5%	1.7%	42.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Growth: total	21.4%	9.0%	39.5%	87.0%	73.5%	70.1%	8.4%	52.1%	6.6%	8.1%	7.6%	8.7%	7.8%	9.3%
<b>BOOKINGS &amp; BACKLOG</b>														
Beginning backlog		\$ 1,314	\$ 1,383	\$ 1,940	\$ 1,987	\$ 2,045	\$ 2,091	\$ 1,940	\$ 2,141	\$ 2,185	\$ 2,236	\$ 2,301	\$ 2,141	\$ 2,367
Revenue		(597)	(833)	(311)	(311)	(320)	(324)	(1,267)	(332)	(337)	(344)	(352)	(1,365)	(1,492)
Gross bookings		948	998	423	424	442	457	1,745	444	451	465	475	1,835	2,014
Cancellations		(294)	(223)	(72)	(52)	(60)	(68)	(252)	(46)	(55)	(56)	(58)	(214)	(285)
Other adjustments		12	615	8	(3)	(15)	(15)	(26)	(22)	(9)	-	-	(31)	-
Ending backlog	\$ 1,314	\$ 1,383	\$ 1,940	\$ 1,987	\$ 2,045	\$ 2,091	\$ 2,141	\$ 2,141	\$ 2,185	\$ 2,236	\$ 2,301	\$ 2,367	\$ 2,367	\$ 2,604
Total net bookings		653.50	774	\$ 351	\$ 372	\$ 382	\$ 388	1,494	\$ 398	\$ 396	\$ 409	\$ 418	\$ 1,621	\$ 1,730
Gross book-to-bill		1.59	1.20	1.36	1.36	1.38	1.41	1.38	1.34	1.34	1.35	1.35	1.34	1.35
<b>Net book-to-bill</b>		<b>1.09</b>	<b>0.93</b>	<b>1.13</b>	<b>1.19</b>	<b>1.19</b>	<b>1.20</b>	<b>1.18</b>	<b>1.20</b>	<b>1.18</b>	<b>1.19</b>	<b>1.19</b>	<b>1.19</b>	<b>1.16</b>
Backlog burn rate		45.4%	60.2%	16.1%	15.7%	15.7%	15.5%	65.3%	15.5%	15.4%	15.4%	15.3%	63.7%	63.0%
<b>OTHER</b>														
Cash and equivalents		\$ 109	\$ 72	\$ 58	\$ 58	\$ 49	\$ 85	\$ 85	\$ 64	\$ 57	\$ 62	\$ 67	\$ 67	\$ 86
Total debt		454	1,265	1,283	1,251	1,249	949	949	934	910	886	862	862	766
<b>Net cash (debt)</b>		<b>\$ (345)</b>	<b>\$ (1,193)</b>	<b>\$ (1,225)</b>	<b>\$ (1,194)</b>	<b>\$ (1,200)</b>	<b>\$ (863)</b>	<b>\$ (863)</b>	<b>\$ (870)</b>	<b>\$ (853)</b>	<b>\$ (823)</b>	<b>\$ (795)</b>	<b>\$ (795)</b>	<b>\$ (680)</b>
Debt to TTM EBITDA		4.1x	11.3x	9.5x	8.4x	7.4x	4.9x	4.9x	4.5x	4.2x	3.9x	3.6x	3.6x	2.8x
Cash flow from operations		\$ 99	\$ 25	\$ (40)	\$ 37	\$ 5	\$ 21	\$ 23	\$ 3	\$ 26	\$ 39	\$ 38	\$ 107	\$ 151
Capital expenditures		(18)	(20)	(6)	(6)	(7)	(8)	(27)	(8)	(8)	(8)	(8)	(33)	(32)
<b>Free cash flow</b>		<b>\$ 81</b>	<b>\$ 6</b>	<b>\$ (46)</b>	<b>\$ 31</b>	<b>\$ (2)</b>	<b>\$ 13</b>	<b>\$ (5)</b>	<b>\$ (4)</b>	<b>\$ 18</b>	<b>\$ 30</b>	<b>\$ 30</b>	<b>\$ 74</b>	<b>\$ 119</b>
Headcount (actual)			10,200	10,250	10,300	10,600	11,000	11,000	11,125	11,250	11,375	11,500	11,500	12,000
Book value per share		\$ 4	\$ 12	\$ 11	\$ 11	\$ 10	\$ 13	\$ 15	\$ 10	\$ 11	\$ 11	\$ 11	\$ 11	\$ 12
Tangible book value per share		\$ (11)	\$ (33)	\$ (33)	\$ (32)	\$ (30)	\$ (18)	\$ (22)	\$ (15)	\$ (15)	\$ (14)	\$ (14)	\$ (14)	\$ (11)

Source for all: Company reports and Wells Fargo Securities, LLC estimates

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- ▲ Rating Upgrade
- Valuation Range Change
- ◆ Initiation, Resumption, Drop or Suspend
- Analyst Change
- Split Adjustment

### Rating Code Key

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- 3 Underperform/Sell
- SR Suspended
- NR Not Rated
- NE No Estimate

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