William Blair

INC Research Holdings, Inc.

Concentrated Play on Clinical Outsourcing and Specialty Categories

We are initiating coverage of INC Research with an Outperform rating and Aggressive Growth company profile after the company's initial public offering in November 2014. INC is a leading clinical contract research organization (CRO) focused on addressing complex illnesses such as cancer and central nervous system (CNS) disorders. While smaller than Quintiles, Parexel, ICON, Covance, and PRA, the company has gained enough scale and geographic and functional breadth in recent years to compete successfully. We believe that INC's core skill is helping midsize and smaller biopharma companies plan and test new drugs for specialty market indications. Considering that this is the most active part of the pipeline, and these are the client segments that outsource the most and increase spending the fastest, we believe INC should outpace its peers on the top and bottom line in the coming years. We estimate the company will be able to generate longer-term earnings growth of 20%.

Attractive market trends. The pharmaceutical outsourcing market has been increasing in penetration for more than two decades and now totals $26 billion in annual spending, in our estimation. Over the last decade, we estimate the CRO market has grown 10% annually on average. While penetration rates are hard to determine precisely, we believe penetration is roughly 42% for the clinical component of the market and has the potential to expand to more than 60%, which should allow the market to outpace R&D spending by biopharma manufacturers for several more years. We estimate spending on late-stage CROs is now $23 billion and should expand at a pace of 7% to 8% through 2020.

Focused play on complex disease. INC was founded as an expert in CNS research and has maintained that leadership for nearly 30 years. The company has added expertise in other complex illness, such as cancer and immunology. We believe that INC can execute in these areas as well as or better than its peers and thus the company should be well positioned to grow in the coming five years, given the industry's focus on specialty disorders and the high rate of capital flowing into the biotechnology industry. We expect INC to increase its revenue base organically by 10%-12% annually through the end of the decade.

Key risks. We view the following items as key risks for INC's stock in the next one to three years: a slowdown in macro demand, perhaps driven by a reversal of the recent surge of capital into the biotechnology industry; pricing pressure, particularly related to strategic deal renewals; quarterly volatility in new business bookings; and a contraction in client pipelines following spending cuts in recent years.

INC Research is one of the top 10 largest CROs, with an annual revenue base exceeding $800 million. Founded in 1985 as a niche CRO focused on central nervous system disorders, INC now employs 5,400 associates across 50 countries, and its focus has broadened to include oncology and other complex diseases.

December 2, 2014
Basic Report (14-150)

Stock Rating:	**Outperform**
Company Profile:	**Aggressive Growth**
Symbol:	INCR (NASDAQ)
Price:	$24.39 (52-Wk.: $20–$24)
Market Value (mil.):	$1,549
Fiscal Year End:	December
Long-Term EPS Growth Rate:	20%
Dividend/Yield:	None

Estimates	**2013A**	**2014E**	**2015E**
EPS FY	$0.30	$0.94	$1.15
EBITDA (mil.)	$106	$150	$160
Valuation			
P/E	82.5x	26.0x	21.2x
EV/EBITDA	17.7x	12.4x	11.7x

Trading Data	
Shares Outstanding (mil.)	63.5
Float (mil.)	12.6
Average Daily Volume	472,000

Financial Data	
Long-Term Debt/Total Cap. (2015)	45%
Book Value Per Share (2015)	$7.07
Enterprise Value (mil.)	$1,864
2015 EBITDA (mil.)	$159.9
Enterprise Value/EBITDA	11.7

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Executive Summary

We are initiating coverage of INC Research with an Outperform rating and Aggressive Growth company profile. INC is one of the top 10 largest CROs worldwide. The company focuses on clinical trial management of complex illnesses such as central nervous system (CNS) disorders and oncology. Compared with its peers, we believe it has a narrower functional and therapeutic focus, more impressive client diversity, and greater exposure to smaller and midsize biopharmaceutical clients. Given that its focus is on the part of the pharmaceutical industry that is experiencing the highest growth in innovation and end-market consumption, we believe INC is well positioned to deliver attractive growth over the remainder of the decade. This should translate into an earnings trend of about 20% over the longer term, which is above that of its publicly traded peers. For investors looking to participate in outsourcing growth of the biotechnology industry, we believe INC should be an attractive vehicle. We rate the stock Outperform.

INC, based in Raleigh, North Carolina, was founded in 1985 as a niche clinical CRO focused on CNS disorders. Over the past 30 years, it has expanded its therapeutic breadth to oncology and other complex illnesses, although it remains more therapeutically focused than its peers. In the last decade, it has also broadened its global scale by acquiring the clinical business of MDS Pharma Services in 2009 and all of Kendle in 2011. Following these two transformational deals, we believe INC has the scale to compete for large and/or multinational contracts, particularly in its core therapeutic areas of expertise.

Exhibit 1
INC Research Holdings, Inc.
History – 1985 to Present

1985	Founded as a niche clinical CRO focused on CNS disorders. Conducted first head injury and cerebrovascular study at the University of Virginia.
1991	Became part of the Neuroclinical Trials Center.
1998	Joined forces with the Integrated Neuroscience Consortium to form what is now called INC Research.
2002	Acquired European CRO Vujaklija, enabling it to operate across 32 countries with 17 offices worldwide.
2006	Acquired Pharmaceutical Resource Corp. to gain late-stage, pharmacovigilance, and drug safety experience
2007	Formed JV in India, INC GVK BIO Private Limited, enabling it to deliver Phase I to IV clinical trials abroad. Acquired Advanced Biologics, growing infectious disease capabilities.
2009	Acquired the clinical arm of MDS Pharma Services. This unit helped expand into emerging markets, including Latin America, APAC, and Africa.
2010	INC was acquired by Avista Capital Partners and Ontario Teachers' Pension Plan
2011	INC acquired AVOS Life Sciences and Kendle International, establishing the company as a top-tier CRO in terms of size and scale
2013	Responding to demand for development of new therapies in Japan, INC expanded geographic footprint by opening offices in Tokyo and Osaka.
2014	INC acquired leading Middle Eastern CRO MEK Consulting

Sources: Company reports

There has been a significant increase over the last two years in the number of options for investors looking to participate in pharmaceutical outsourcing. For example, among traditional CROs, INC has come public, Quintiles and PRA have returned to public markets, IMS Health has returned to the public markets on the data and analytics side, and Catalent returned as an independent stand-alone entity focused on contract dose manufacturing and process development. In addition to these new (or returning) entrants to the public markets, November 2014 saw the announcement of the Lab Corp/Covance merger and underwhelming quarterly bookings from Parexel.

Given the spike in capital markets activity and mixed signals on bookings, we believe investors who are considering the space should ask three questions:

1. Is there a demand problem for clinical CROs?

2. Is the clinical CRO market topping, or when might it approach peak levels of outsourcing penetration?

3. How should one differentiate CROs now that there are seven publicly traded alternatives (nine including WuXi and Albany Molecular)?

We will explore these three key topics later in this report, but our summary thoughts on each are:

1. **No, there does not appear to be a demand problem.** While Parexel did report a soft net bookings total in the third quarter, the group in aggregate reported net bookings of 1.20, which was slightly above the 1.16 average in the first and second quarters of 2014. Trailing-12-month bookings have remained around 1.2 times for the past four quarters, but have trended down from the 1.30 range achieved in 2012. We believe 1.2 times is a healthy level that should allow the CROs to generate roughly 10% revenue growth if backlog conversion remains steady. The key drivers of demand suggest contract activity should remain robust in the next few years, considering that capital flows are still very high for smaller clients by historical standards and the magnitude of generic erosion is declining for larger clients.

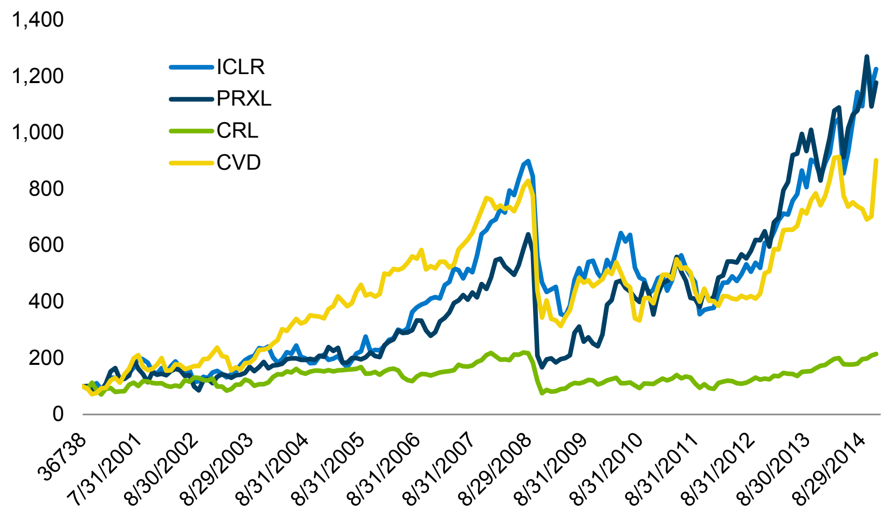
2. **Is the market topping?** We do not believe this to be the case, although the equity sold (or agreements to sell) during 2014 by the likes of INC, PRA, Covance, IMS Health, Catalent, Dennis Gillings (the founder of Quintiles), Bain Capital, TPG, 3i, Canada Pension Plan Investment Board, and Leonard Green Partners certainly prompts the question. We believe most of the recent equity sales are the logical liquidity events from significant bets made by private equity sponsors on pharma outsourcing 5-10 years ago in the face of cyclical demand slowing from generic erosion and financial turmoil. We believe the key longer-term drivers for investors to focus on to signal a potential top will be underlying R&D spending growth, pipeline growth or contraction, clinical trial activity, and outsourcing penetration. Outsourcing penetration will eventually hit a ceiling, at which time the CRO industry's growth will likely slow, tracking with metrics such as R&D spending, clinical trial starts, and patient enrollment. Our semiannual surveys indicate that we are likely five to seven years from reaching full penetration. We estimate penetration of clinical development spending is roughly 42% today and expect it to top out between 60% and 70%.

3. **Differentiating the CROs.** CROs can appear quite similar to outside investors given the same underlying macro drivers of demand and considering that many are competing against one another on any given day for the next contract win. They therefore must emulate each other's bestselling points to clients.

From an investor's perspective, if we look at longer-term price performance and valuation, and returns on invested capital, we see the following:

Long-term price performance and valuation. With the exception of Charles River, all public late-stage companies have experienced remarkably similar trading patterns since mid-2000. Even more interesting, since 2001 the average annual share-price performances for ICON, Parexel, and Covance have been 26%, 25%, and 23% respectively (exhibit 3). In addition, public CROs (including Charles River) have outperformed the Russell 2000 in 10 of the last 14 years. While CROs are in the midst of trying to competitively differentiate themselves, we believe the best strategy appears to be to own the group to alleviate company-specific risk factors. Over time, given the similar long-term performance of the group, we believe the best strategy has been to buy the names that are temporarily out of favor, since they will likely benefit from a reversion to mean group performance and valuation (exhibit 2).

Exhibit 2
Long-Term Price Performance



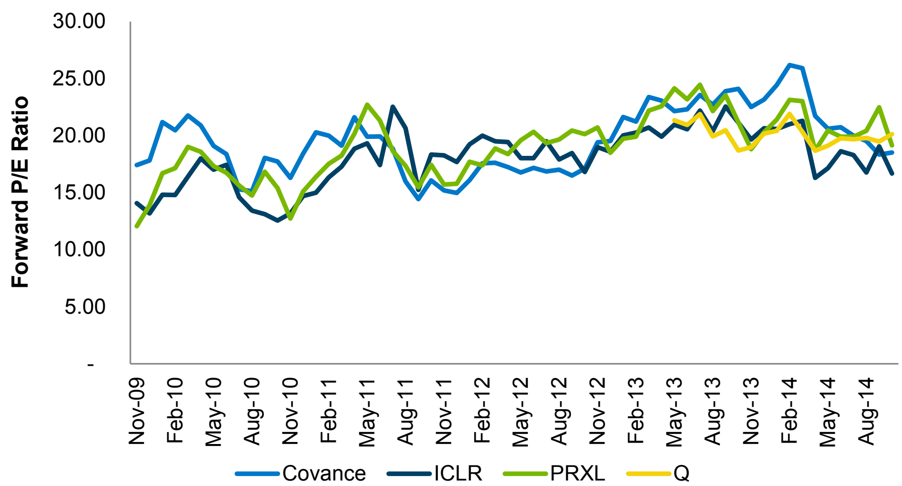
Source: FactSet

Exhibit 3
Annual Stock Price Performance

	ICLR	PRXL	CRL	CVD	Q	CRO Avg	Russell 2000	Difference
2001	74%	33%	22%	111%		60%	1%	59%
2002	-10%	-23%	15%	8%		-2%	-22%	19%
2003	62%	48%	-11%	9%		27%	45%	-18%
2004	-12%	25%	34%	45%		23%	17%	6%
2005	7%	0%	-8%	25%		6%	3%	3%
2006	83%	43%	2%	21%		37%	17%	20%
2007	64%	67%	52%	47%		57%	-3%	60%
2008	-36%	-60%	-60%	-47%		-51%	-35%	-16%
2009	10%	45%	29%	19%		26%	25%	0%
2010	1%	51%	5%	-6%		13%	25%	-13%
2011	-22%	-2%	-23%	-11%		-15%	-5%	-9%
2012	62%	43%	37%	26%		42%	15%	27%
2013	46%	53%	42%	52%		48%	37%	11%
YTD	35%	28%	24%	15%	24%	25%	1%	24%
AVG	26%	25%	11%	23%	24%	21%	9%	12%

Source: FactSet

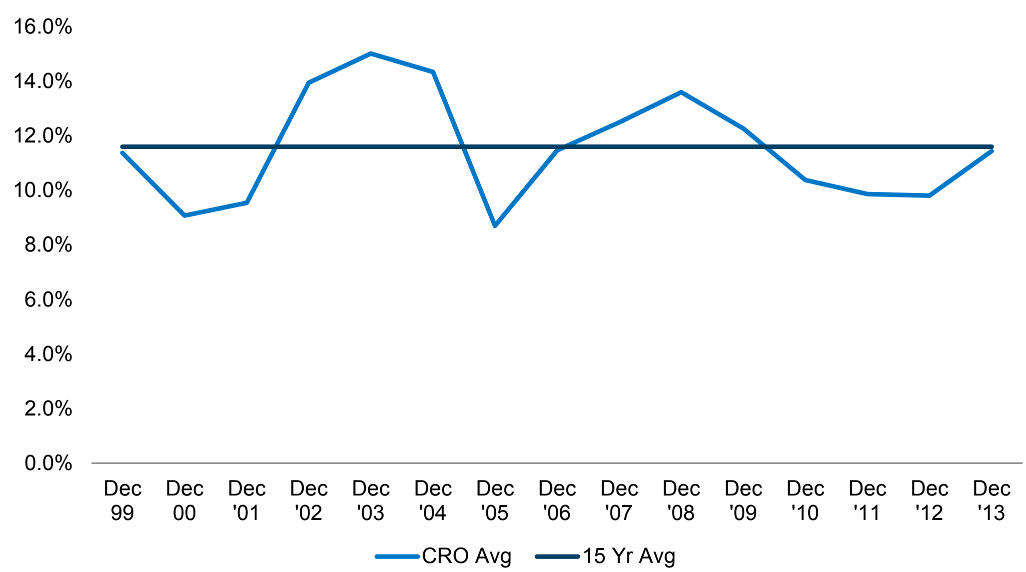
Exhibit 4
CRO Group Five-Year Forward P/E Ratio (November 2009 to October 2014)



Source: FactSet

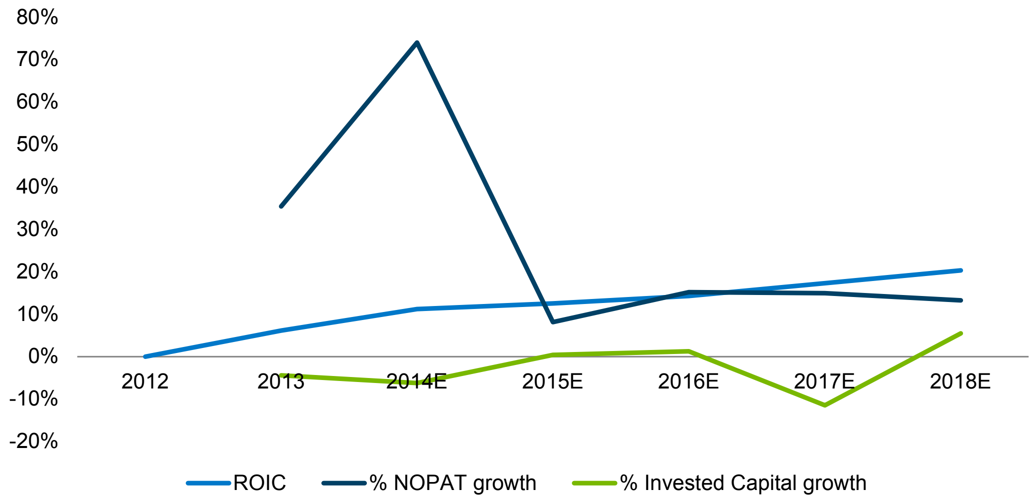
Return on invested capital. Since 1999 CROs have delivered return on invested capital ranging from 9% to 15%, with a long-term average of 11.6%. In comparison, INC's current ROIC should be 11.2% in 2014. Given a plan by management to steadily de-lever the balance sheet in the next few years, we expect INC's ROIC to improve steadily over the next three to four years, which should support the stock's ability to maintain or improve the current valuation.

Exhibit 5
Historical CRO Return on Invested Capital



Note: Companies include CRL, CVD, ICLR, and PRXL
Source: FactSet

Exhibit 6
INC Research Holdings, Inc.
Projected INC Research ROIC



Sources: Company reports and William Blair & Company, L.L.C. estimates

From a client's perspective, some differentiators are easy to observe, such as functional and geographic breadth. Does the CRO focus on discovery? Early stage? Late stage? Does it operate in just the United States? Or all around the world? Other differentiators are harder to quantify. Does it have the expertise to execute on this particular project? Does it have availability? Will its staff do a good job? Will there be staff turnover before the project is complete? Can it identify the good investigators from the bad? Does it have the right technology to ensure the project runs smoothly?

We believe that INC Research is differentiated from its peers in three important respects.

- It has a narrow focus on clinical rather than preclinical, chemistry, or even central lab. This prevents INC from being a one-stop shop for its clients, but it helps it deliver execution that should be as good as or better in its areas of expertise. For example, 70% of its clinical research associates focus solely on one area, and 85% focus principally on one area, which is unusual for clinical CROs.

- It has a narrow therapeutic focus on CNS, cancer, and other complex illnesses. These categories constitute about 50% of the industry's pipeline and 75% of INC's backlog, making it rather exposed to the specialty portion of the biopharmaceutical industry.

- It has excellent client diversity; its top five clients account for just 34% of revenue—the lowest percentage of its publicly traded peers, which trade in the range of 38% to 52%.

In aggregate, we believe that INC has built a focused business model with a high level of operational quality that should allow for client additions and share gains over time. Assuming capital continues to flow to smaller biopharma clients, and the industry's pipeline remains focused on specialties such as cancer and CNS, INC should have an edge in generating organic revenue growth above the CRO market. As summarized in exhibits 7 and 8, we project the company to generate 10% organic revenue growth, and another 2% from margin leverage, 6% balance sheet deleveraging, and 2% from tax rate improvement. In aggregate, we therefore believe the company should be able to generate EPS growth of 20% or better on average through 2018.

Exhibit 7
INC Research Holdings, Inc.
Projected Calendar-Year Income Statement Summary

	2011	2012	2013	2014E	2015E	2016E	2017E	2018E
Revenue	$437,005	$579,145	$652,418	$803,933	$889,535	$978,628	$1,076,491	$1,178,757
Growth		*32.5%*	*12.7%*	*23.2%*	*10.6%*	*10.0%*	*10.0%*	*9.5%*
EBITDA	$ 64,274	$ 83,118	$103,101	$146,980	$156,124	$174,448	$ 195,660	$ 218,070
Margin	*14.7%*	*14.4%*	*15.8%*	*18.3%*	*17.6%*	*17.8%*	*18.2%*	*18.5%*
Growth		*29.3%*	*24.0%*	*42.6%*	*6.2%*	*11.7%*	*12.2%*	*11.5%*
Adjusted Net Income	$ (4,455)	$ 1,988	$ 13,850	$ 48,550	$ 71,230	$ 88,767	$ 107,802	$ 128,041
Growth		*NM*	*NM*	*NM*	*46.7%*	*24.6%*	*21.4%*	*18.8%*
Adjusted EPS	**$ (0.10)**	**$ 0.04**	**$ 0.27**	**$ 0.90**	**$ 1.11**	**$ 1.38**	**$ 1.67**	**$ 1.97**
Growth		***NM***	***NM***	***NM***	***23.1%***	***24.0%***	***20.8%***	***18.2%***

Note: EBITDA, adjusted net income, and adjusted EPS include share-based compensation expense
Sources: William Blair & Company, L.L.C. estimates and company reports

Exhibit 8
INC Research Holdings, Inc.
Earnings Build

	2012	2013	2014	2015	2016	2017	2018
Revenue	32.5%	12.7%	23.2%	10.6%	10.0%	10.0%	9.5%
Gross Profit	-11.6%	3.2%	8.1%	-2.1%	0.1%	0.3%	0.6%
SG&A	8.4%	8.2%	11.2%	-2.3%	1.6%	1.8%	1.3%
EBITDA	**29.3%**	**24.0%**	**42.6%**	**6.2%**	**11.7%**	**12.2%**	**11.5%**
Depreciation	0.8%	8.7%	5.3%	0.9%	0.1%	0.9%	1.4%
Net Interest Expense	-174.7%	567.3%	202.7%	37.3%	9.0%	6.6%	4.2%
Tax	-0.1%	-3.5%	0.0%	2.3%	3.8%	1.8%	1.7%
Net Income	-144.6%	596.6%	250.5%	46.7%	24.6%	21.4%	18.8%
Shares Outstanding	NM	NM	-10.9%	-23.6%	-0.6%	-0.6%	-0.6%
EPS	**NM**	**NM**	**239.6%**	**23.1%**	**24.0%**	**20.8%**	**18.2%**

Note: EBITDA, adjusted net income, and adjusted EPS include share-based compensation expense
Sources: William Blair & Company, L.L.C. estimates and company reports

Risks: What could go wrong? We believe that INC, like all CROs, will be susceptible to a near-term shock from client consolidation, although M&A activity among major pharma has tended to drive more outsourcing over the longer term once the initial distractions of a given deal pass. If capital flows to smaller biotechnology companies dry up, these smaller, non-revenue companies could begin to hoard cash again like they did in 2009. If the pipeline shifts away from specialty and back to the large primary-care indications such as cardiovascular disease or diabetes or obesity, INC's therapeutic focus could become a liability. And lastly, INC's stock will be vulnerable to the quarterly ebb and flow of new business, as is the case for all of its peers. While INC's client diversity should limit this risk, we have many examples over the years that any CRO's new business flow is not linear, as we saw from Parexel this quarter.

Valuation and Stock Thoughts: INCR shares have increased 32% since the company's IPO on November 6. This compares with an increase of 4% over the same period for its peer group. As of November 28, INCR is trading at 21 times our estimated 2015 adjusted EPS of $1.15 (22 times including stock-based compensation) and its enterprise value is 11.7 times our estimated 2015 EBITDA (11.9 times including stock based compensation). Like its peers, we believe investors will evaluate INCR on the basis of forward earnings and EBITDA, with any differential to the comparable group driven by bookings momentum, sustainable earnings growth potential, and perceived volatility. While we acknowledge that the group is expensive relative to historical averages, relative to the broader market the group remains attractive. The CRO group trades at 1.13 times the S&P 500 on a forward P/E basis, below its long-term average of 1.33 times. Due to the faster growth at INC, the company is trading at a modest premium of 10% to its peers (including compensation expenses), which we view as a reasonable valuation given the higher potential growth. On a risk-adjusted basis, we believe the stock offers upside of 14% at current levels.

Exhibit 9
INC Research, Inc.
Probability-Weighted 12-Month Outlook (Using 2016 Estimates)

	Scenario 1 (A)	Scenario 2 (B)	Scenario 3 (C)
Earnings Per Share	$1.25	$1.38	$1.50
Implied Current P/E Multiple	19.4x	17.7x	16.2x
Estimated Multiple	**16.0x**	**20.0x**	**24.0x**
Implied Price	$20	$28	$36
Price Relative to Current Level	-18%	13%	48%
Probability	**20%**	**60%**	**20%**
Probability-Weighted Return		14.0%	

(A) Scenario 1 assumes a 6.5% increase in revenue and 70 basis points of operating margin contraction from 2014 through 2016
2016
(C) Scenario 3 assumes a 13.0% increase in revenue and zero operating margin leverage from 2014 through 2016

Sources: FactSet and William Blair & Company, L.L.C. estimates

Investment Highlights

Attractive pharmaceutical outsourcing market trends. Outsourcing has become a mission-critical aspect of biopharmaceutical drug development over the past two decades. Large pharmaceutical companies have an imperative to improve R&D productivity, and they are turning to outsourcing to "variabilize" any and all steps of the R&D cycle. Smaller innovators are using outsourcing to enable a virtual pharmaceutical business model, allowing them to maintain ownership of a molecule without having to invest significant capital into infrastructure. This value proposition has allowed CROs to be excellent long-term performers despite occasional periods of turmoil. We estimate that the clinical CRO industry in which INC competes has experienced average annual growth of roughly 10% over the past decade, and we expect this market to grow 7% to 8% in the coming several years.

INC Research's differentiation should allow for revenue growth above its peers. As noted above, we believe that INC's focus on complex diseases like cancer and CNS put it in the sweet spot of the industry's pipeline. Even though the company is a top 10 clinical CRO overall, we believe it is in the top two or three in CNS, for example. Seventy-five percent of the company's backlog is in these complex areas that are showing the fastest growth (we estimate 50% of the industry R&D pipeline is in these areas). Moreover, more than 40% of INC's revenues come from smaller clients, which have generally been aggressive outsourcers. According to our surveys, smaller companies outsource 60% to 80% or more of their R&D budgets, compared with 40% to 50% at large pharma and 55% to 60% at midsize pharma. These clients have been the beneficiaries of substantial capital inflows over the past 18 months, allowing them to increase their R&D spending plans accordingly. Given INC's focus on smaller clients and on specialty drug categories, we believe the company is positioned to realize growth above the CRO space overall. We project INC to deliver organic revenue growth of 10% in the coming four years; management's goal is 10%-12%.

Multiple P&L levers should allow for EPS growth of about 20%. In addition to INC's positioning for low-double-digit organic revenue growth, the company has several other levers to drive EPS. For example, the company's EBITDA margin of 17.4% this year (excluding unusual change order benefit) should be able to rise to 20% over time. We project 30-50 basis points of margin leverage annually, which adds 2%-3% to EPS growth. The company is also deleveraging its balance sheet, which will add flexibility to pursue other M&A deals and in the meantime reduce interest expense. The recently refinanced debt line, combined with debt pay-down at the time of the IPO, should reduce the company's net annual interest expense by $40 million in 2015, adding another 36% to income growth. Longer term, we expect ongoing reductions to debt to add roughly 6% to EPS growth on average through 2018. Lastly, we expect the company's tax rate to decline gradually by about 500 basis points over the next several years. We calculate this lower rate should add another 2% to EPS growth. In aggregate, we believe the company is well positioned to deliver about 20% EPS growth without the benefit of any M&A activity, several hundred basis points faster than its peer group.

Investment Risks

We view INC as a leveraged way for investors to participate in the pharmaceutical outsourcing industry. History has taught us that the business model of CROs can be volatile from quarter to quarter and also subject to occasional demand shocks. Below, we expand on what we view as key risks.

Client renewal risk. Consolidation among drug companies over the years has concentrated R&D spending power. Over the past five years, the trend toward strategic partnering has further concentrated the market among a smaller number of larger CROs. As contracting transitions from a trial-by-trial basis to now sometimes encompassing an entire function or therapeutic area over several years, the contracts have become larger and therefore renewal risk has increased. This greater concentration may also increase the temptation of CROs to use aggressive pricing to gain share. Our industry discussions suggest that later-stage pricing is rational at present. Specific to INC, 34% of its revenue derives from its top five clients, which is relatively well-diversified compared with its peers. One of its major clients is Astellas (14% of revenue), which is up for renewal in the spring of 2015. We expect clarity on this renewal by the end of first quarter 2015.

Client M&A activity. Given that two companies—Astellas and Otsuka—each make up more than 10% of INC's revenue, if either were to be involved in M&A activity, there could be considerable disruption for INC. In general, if the client is the buyer in a large transaction, near-term disruption in bookings caused by integration activities tends to give way to increased business over the longer term, as outsourcing penetration rates typically increase one to two years after the closing of a deal. But if the client is acquired, the CRO could lose the relationship altogether depending on the buyer's vendor relationships.

New business. New business contracts are the key leading indicator for CRO revenue growth. Thus, metrics for contract wins like book-to-bill ratios, backlog growth, and backlog coverage are watched closely by investors. While contracts in the CRO space often run for two to three years, the flow of new business can be volatile, particularly around vacations in August and December. Contract cancellations add to the quarter-to-quarter volatility. We view one quarter of disappointing net new business flow as normal and not unduly concerning. If this pattern extends for two or three quarters and/or the backlog coverage ratio declines to 70% or less of the next-12-months' revenues, the risk of guidance reductions becomes much greater, in our view. With three major clinical CROs added to the public market ranks since the beginning of 2013, we believe the risk of more aggressive pricing has increased with the glare of quarterly reporting scrutiny.

Therapeutic concentration. INC derives 70% of its revenue from oncology and CNS projects. Given that these are two of the largest and fastest-growing areas of the drug development pipeline, we believe its expertise in these areas should allow INC to outperform its peers. However, if these therapeutic areas fall out of favor with sponsors, the company could underperform its better-diversified peers.

Outsourcing penetration. Once outsourcing penetration rates reach a ceiling, industry growth rates must naturally fall to a rate that mirrors the underlying rate of R&D spending. For the CRO industry, this means that the current 7%-8% pace of expansion will eventually fall to the low to midsingle digits (unless R&D spending accelerates). Our surveys indicate that penetration rates should be able to climb from roughly 40% (depending on the source) today to more than 55%, while industry commentary suggests 60%-70% is possible over the long term. The timing of this progression is hard to discern, but we believe it will likely take 5 to 10 years.

Late-stage pipeline. Since the recession of 2008, the pharmaceutical industry has cut spending on discovery and early-stage drug development. That pattern persisted for more than four years before apparently rebounding in the summer of 2013, creating the risk that underinvestment in discovery will translate into a late-stage pipeline crisis in the years to come. Our industry discussions suggest that this risk has diminished, given recent gains in the industry's early- and late-stage pipelines.

Biotech funding. Fiscal 2014 has been a banner year for biotech funding, with a total of $22 billion raised year-to-date, according to BioCentury. This is significantly more than the $16 billion raised in 2013 and marks the highest total since we began tracking the data in 1998. Biotech clients, particularly those that secure primary financing through the capital markets, tend to have high rates of outsourcing penetration, given a lack of internal infrastructure. INC generates 43% of revenue from small and midsize clients, higher than many of its peers that average 20% to 40%. While this has helped drive strong revenue growth of late, if funding dries up or market conditions cause smaller clients to hoard cash in lieu of beginning new trials, we believe industry growth rates would be adversely affected. Companies that are more leveraged to biotech spending, like INC, could be disproportionately affected.

Pharmaceutical Outsourcing Industry Update

Following the downturn in 2009, the pharmaceutical outsourcing group underperformed for three years, as a result of tepid spending from large clients in anticipation of patent expirations, relatively modest biotech funding, and uncertainty regarding margin trends as strategic partnerships gained traction. In the past three years, however, group performance has improved significantly, as the peak of the generic wave has allowed revenue—and therefore spending—at big pharma to increase again. Investors' appetite for risk has also increased, leading to record levels of funding for small biotech companies, which in turn have driven an upturn in spending on new product development. Lastly, margins related to strategic partnerships have proved as good or better than those under the traditional outsourcing model. As a result, CRO stocks have appreciated at a compound annual rate of 36% since the beginning of 2013 and have achieved a valuation not seen since the late 1990s (as measured by forward P/E multiples).

Given this excellent performance, three CROs that underwent go-private transactions in the last 5 to 10 years have successfully returned to public markets, beginning with Quintiles in May 2013 and followed by INC Research and PRA Health Sciences in November 2014 (note that INC was not public previously, but one of its predecessors, Kendle, was). Catalent, the leading provider of manufacturing and advanced delivery technologies, also recently completed a public offering. Each of these stocks has been greeted favorably by investors, with Quintiles up 45% since its return in 2013, Catalent up 40% since July 2014, INC up 32%, and PRA up 21% since their recent listings. In addition, Covance, one of the largest and most diversified companies in the industry, recently agreed to be acquired by LabCorp—offering another example of an emerging industry trend to expand access to patient-specific data in the hope of streamlining and improving the drug-development process.

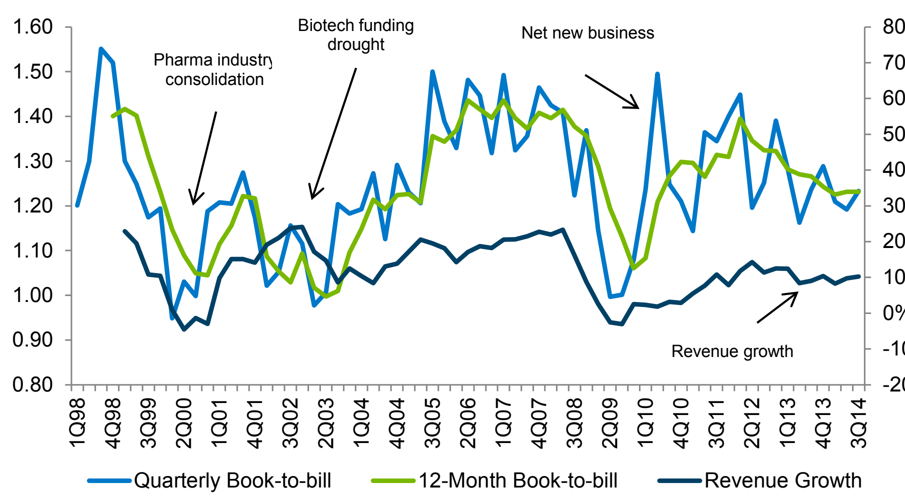
All this movement in the public markets causes us to ask several questions. First, is there a demand problem? Second, are we approaching a top for the industry, or is this merely the beginning of the next growth leg for CROs? Third, apart from the industry discussion, what is the best way to differentiate among the various players in the market and participate in its growth? As we weigh the various data, it appears that the fundamentals are somewhat mixed at present, with volatile bookings and a spike of equity sales suggesting potential trouble. On the other hand, positive pipeline trends, better sentiment about R&D spending growth, and plenty of room to increase outsourcing penetration all suggest that market growth can remain in the high single digits for the next several years. Below, we look at our leading indicators for insight on each of these issues and make a case for why INC is a good way to participate in the market.

1. Is There a Demand Problem?

Slowing bookings indicative of solid demand. The strong bookings growth that came with the rise of strategic partnerships in recent years has moderated somewhat of late and has periodically resulted in volatile quarterly results on a company-specific basis. Parexel's calendar third-quarter book-to-bill ratio came in below 0.9 times, for example. We do not believe this is indicative of a demand problem; while we acknowledge that the timing of this volatility merits caution, in isolation, we believe bookings for the overall group remain solid and that Parexel's weakness will prove transitory.

Exhibit 10 details booking trends for the industry over the past 16 years. Though we saw a nice uptick this quarter, thanks to solid bookings from Quintiles that more than offset weak Parexel numbers, the trend has been down for the group over the past two years, following a partnership-oriented surge from 2010 through 2012. But on average, bookings have remained between 1.15 times and 1.20 times on a trailing-12-month basis, a level that should support organic revenue growth of about 10% if backlog duration and conversion rates remain constant. Given consistent commentary from all market participants in recent quarters that proposal activity is at record levels and that the number of ongoing clinical trials is as high as it has ever been, we believe that bookings trends for the group can remain in the 1.15 to 1.20 range for the near to intermediate term.

Exhibit 10
Long-Term Bookings Trends

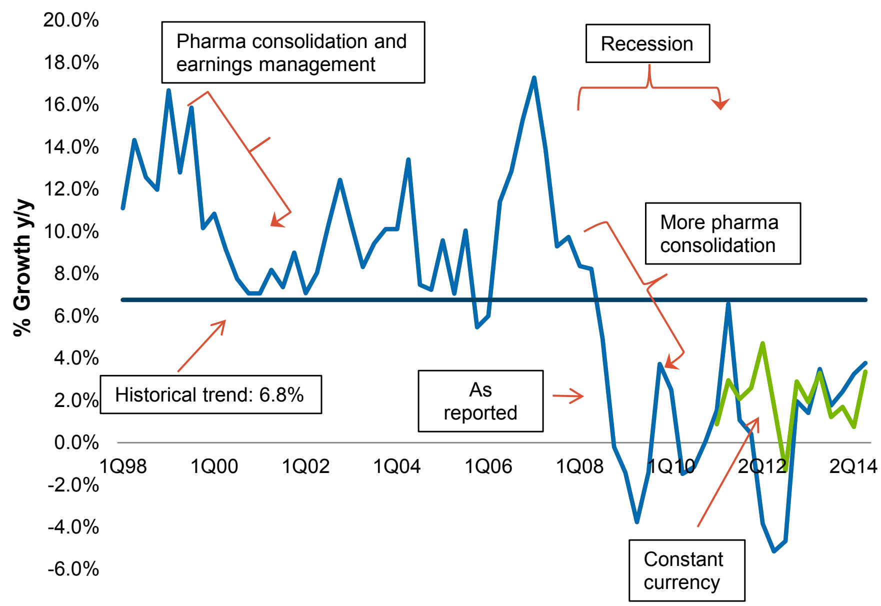


Sources: William Blair estimates and company reports

Strong pipeline also suggests solid demand. As shown in exhibit 13, our data suggests that the number of drugs in each area of development has increased meaningfully over the past several years and has accelerated in 2014, thanks to stable spending at big pharma and strong funding for biotech companies. As long as R&D trends continue to improve and funding remains strong, we believe demand for CROs can remain above historical averages. We expect R&D trends to improve slightly over the next few years from about 2% annual growth today to 4% over the longer term, and while we expect biotech funding to remain strong, we would not be surprised by some reduction in absolute dollars raised compared with the record level over the last 12 months.

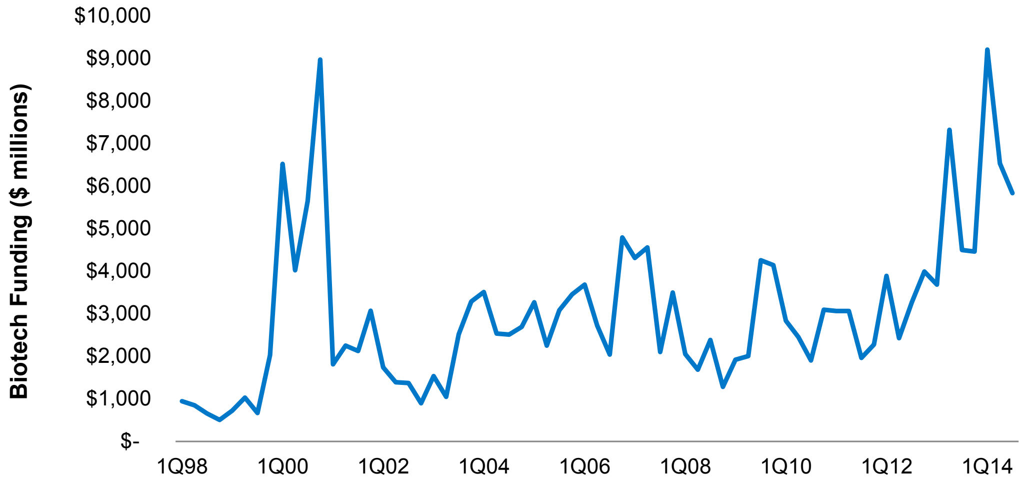
As mentioned above, these drugs tend to target more complex therapeutic areas. Today, we estimate that 33% of the pipeline is focused on oncology, 15% on systemic anti-infectives, and 14% on CNS disorders. These complex therapeutic areas require specific scientific expertise, offering CROs an opportunity for competitive differentiation. We believe that CROs with strong offerings in oncology, CNS, and inflammatory disease are best positioned over the long run.

Exhibit 11
Biopharmaceutical R&D Spending Trends



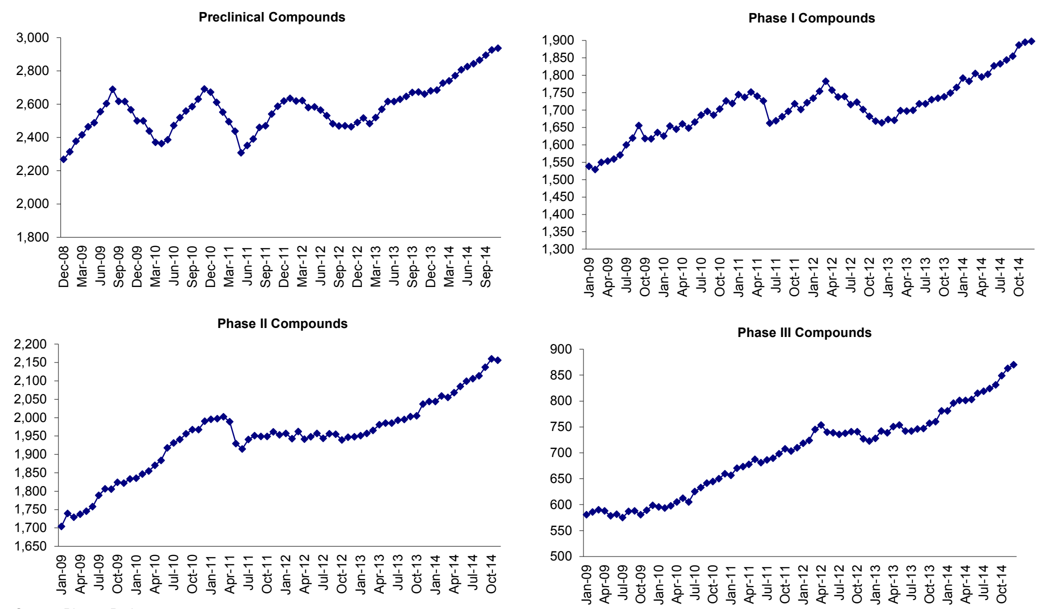
Note 1: Pharma includes PFE, GSK, MRK, AZN, BMY, JNJ, LLY, ROG, NVS, SNY
Note 2: Biotech includes AMGN, BIIB, BMRN, CLGN, GILD, ISIS, MDCO, VRTX
Sources: Company reports

Exhibit 12
Quarterly Biotech Funding (1Q98 to 3Q14)



Source: BioCentury

Exhibit 13
Estimated Number of Drug Candidates in Each State of Development (Preclinical Through Phase III)



Source: PharmaProjects

Exhibit 14
R&D Project Count by Therapy Area

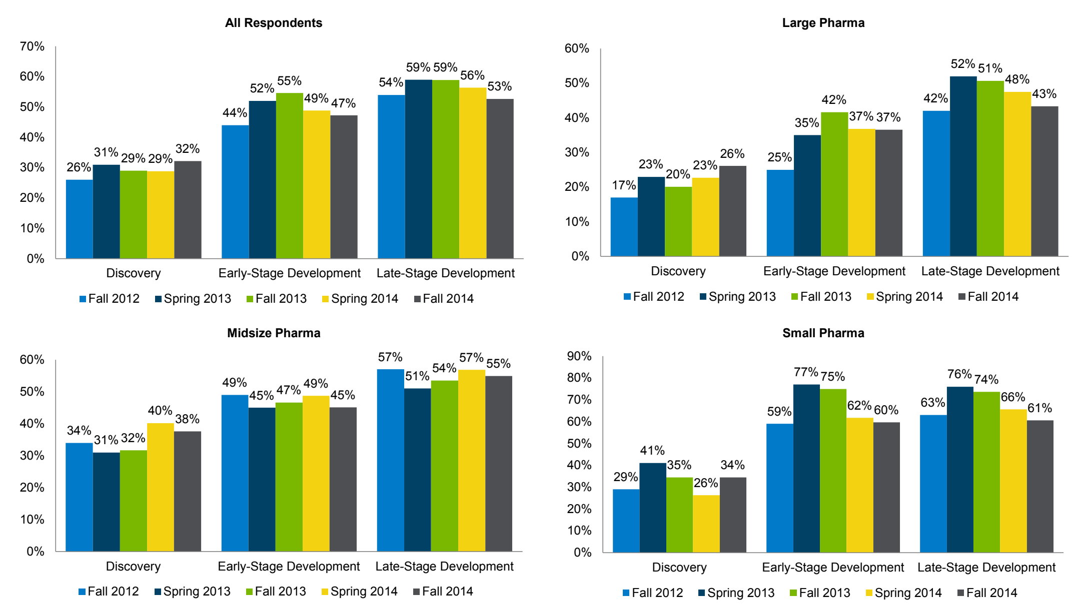
Therapy Class	Product Count	As a %
Oncology and Immunomodulators	7970	33.1%
Systemic Anti-infectives	3692	15.3%
Central Nervous System	3329	13.8%
Various	1254	5.2%
Musculoskeletal	1161	4.8%
Cardiovascular	1102	4.6%
Endocrine	1052	4.4%
Gastro-intestinal	942	3.9%
Respiratory	940	3.9%
Dermatology	804	3.3%
Sensory Organs	693	2.9%
Blood	586	2.4%
Genito-Urinary	535	2.2%
Total	**24060**	

Source: EvaluatePharma, May 1, 2014

2. Are We Near a Market Top?

Outsourcing penetration has room to go. We have frequently published estimates of where we believe outsourcing penetration rates are at a point in time. Today, we believe outsourcing penetration rates for clinical outsourcing are 42% and are poised to improve to 53% by 2020. Over the longer term, management commentary from multiple industry participants suggests that penetration can reach 60% or higher, implying several years of strong growth beyond 2020. In our survey work, client responses have been generally consistent with the long-term commentary, implying higher penetration over the long term than is observed today. In our most recent survey, respondents suggested that clinical outsourcing penetration is 53% today, just below the 56% noted in our spring survey. We believe these numbers are somewhat overstated, as all companies are weighted equally regardless of R&D budget size.

Exhibit 15
Percentage of Total Work Outsourced by Phase, by Company Type



Note: 133 respondents in fall 2014, 130 respondents in spring 2014, 137 respondents in fall 2013, 125 respondents in spring 2013, and 147 respondents in fall 2012
Sources: Life Science Strategy Group, LLC and William Blair & Company, LLC

In aggregate, we believe the fundamentals of the CRO market are solid. Despite some normalization in bookings trends, proposal volume is at or near record levels, the pipeline is solid, spending is improving, and outsourcing penetration appears to have plenty of room to go. Furthermore, as the biopharmaceutical industry focuses on more complex specialty disease, we believe CROs with proven expertise in these areas can expand faster than their peers. While we acknowledge that the surprising amount of deal activity in the space causes investors to question whether there is a problem, we believe the fundamentals indicate that this is not the case. We continue to project aggregate market growth of 7% over the next five years and suspect that growth in specialty trial activity can outpace that level by 100 to 200 basis points. We continue to view the CRO industry as an attractive way to participate in the growth of biotech and specialty markets but with less risk of failure, and we believe this space should outperform broader healthcare indices for the next several years.

Exhibit 16
Global CRO Market Model
($ in millions)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total Development Spending	$58.7	$66.3	$72.3	$75.2	$71.4	$70.7	$72.1	$72.8	$74.6	$76.9	$80.0	$83.2	$86.5	$89.9	$93.5	$97.3
% Growth (y-o-y)	7%	13%	9%	4%	-5%	-1%	2%	1%	3%	3%	4%	4%	4%	4%	4%	4%
% of R&D	68%	68%	68%	68%	68%	68%	68%	68%	68%	68%	68%	68%	68%	68%	68%	68%
Outsourced Preclinical Development	$3.2	$3.5	$4.0	$4.2	$3.2	$3.0	$3.0	$3.0	$3.1	$3.3	$3.6	$3.9	$4.2	$4.5	$4.9	$5.4
% Growth (y-o-y)	12%	11%	13%	6%	-24%	-6%	0%	1%	2%	7%	8%	8%	8%	9%	9%	9%
% Outsourced to CROs	25%	26%	28%	29%	29%	30%	31%	32%	32%	33%	35%	36%	38%	40%	42%	44%
Outsourced Clinical Development (to CROs)	$8.8	$11.0	$12.8	$14.7	$15.4	$16.5	$17.8	$19.4	$21.2	$23.1	$25.0	$27.0	$29.0	$31.2	$33.4	$35.8
% Growth (y-o-y)	14%	24%	17%	15%	5%	7%	8%	9%	9%	9%	8.5%	8.0%	7.5%	7.3%	7.3%	7.0%
% of Total Clinical Development	23%	24%	26%	28%	30%	32%	34%	37%	39%	42%	44%	46%	47%	49%	51%	53%
Outsourced Clinical Development to CROs and Investigators	$15.5	$18.1	$20.6	$22.7	$23.9	$25.5	$27.5	$29.8	$32.2	$34.9	$37.6	$40.5	$43.4	$46.4	$49.6	$52.9
% Growth (y-o-y)	11%	17%	14%	10%	5%	7%	8%	8%	8%	8%	7.8%	7.5%	7.2%	7.0%	6.8%	6.7%
% of Total Clinical Development	34%	34%	36%	38%	40%	42%	44%	47%	50%	52%	54%	56%	57%	59%	61%	62%
Total Outsourced Development (to CROs)	$12.0	$14.5	$16.7	$18.9	$18.6	$19.5	$20.8	$22.4	$24.2	$26.4	$28.6	$30.9	$33.2	$35.7	$38.3	$41.1
% Growth (y-o-y)	13%	20%	16%	13%	-2%	5%	7%	8%	8%	9%	8.4%	8.1%	7.6%	7.4%	7.4%	7.3%
% of Total Development	23%	24%	26%	28%	30%	32%	33%	36%	38%	41%	42%	44%	46%	48%	50%	51%
Total Payments to CROs and Investigators	$18.7	$21.6	$24.5	$26.9	$27.0	$28.5	$30.5	$32.8	$35.3	$38.2	$41.2	$44.3	$47.5	$50.9	$54.5	$58.2
% Growth (y-o-y)	11%	16%	13%	10%	0%	5%	7%	8%	8%	8%	7.8%	7.6%	7.3%	7.1%	7.0%	6.9%
% of Total Development	32%	33%	34%	36%	38%	40%	42%	45%	47%	50%	52%	53%	55%	57%	58%	60%

Sources: Company reports, EFPIA, JPMA, PhRMA, Pharmaprojects, and William Blair & Company, L.L.C. estimates

3. How Do CROs Differentiate Themselves? Why Choose INC?

As shown in exhibit 17, with 10 public CROs and manufacturers to choose from, differentiation becomes increasingly important. In the following section, we explore how the major CROs stack up across several operational and financial metrics. We believe that the key positives for INC are: 1) organic revenue growth, which is driven by unique therapeutic area concentration and client concentration, and 2) the potential for operating margin expansion.

Exhibit 17
Relevant Pharmaceutical Outsourcing Providers by Development Phase

Discovery Services	Preclinical Toxicology	Phase I	Phases II-IV	Central Lab	Commercialization	Manufacturing
WuXi	Covance	Celerion	Quintiles	Covance	Inventiv	Catalent
Albany Molecular	Charles River	Lambda	Parexel	Quintiles	Quintiles	DPx
Charles River	Huntingdon/Harlan	Novum PRS	PPD	Quest	PDI	Aenova
Covance	MPI Research	Covance	ICON	PPD	Publicis	Farmar
ChemBridge	WIL Research	Parexel	PRA Health Sciences	Lab Corp	United Drug	Fareva
Argenta Discovery	LAB Research	Quintiles	Covance	ICON	EPS Corp	Baxter
Ricerca	SNBL	PPD	Inventiv/PharmaNet			Corden
Jubilant Organosys	CIT	Inventiv/PharmaNet	INC Research			
Syngene*		INC Research				
Piramal		ICON				
Dishman Pharmaceuticals		PRA Health Sciences				
Divis Laboratories						

*Publicly traded entities focused on outsourced pharma services include Albany Molecular, Catalent, Charles River, Covance, ICON, INC Research, Parexel, PRA, Quintiles, and, WuXi
**Syngene is BioCon's chemistry subsidiary
Sources: Company reports and William Blair & Company, L.L.C. estimates

Revenue growth. We believe the market is growing 7% to 8%, and we project that most of the public CROs are growing in this range. Still, different areas of the market are growing at different rates. Specifically, oncology is growing at the fastest rate in terms of total spending today, and it accounts for the largest proportion of the pipeline. As a result, companies that are exposed to these faster-growing areas have the potential to outperform. INC is highly concentrated in oncology and CNS, two of the largest areas of growth in the pharma pipeline, with more than 70% of revenue coming from these two areas. In addition, INC generates 43% of revenue from small and midsize biotech companies, which tend to outsource a higher percentage of work than large pharma and are flush with cash at present.

We believe this focus should allow for faster growth than its peer group. Guidance suggests growth could be in the 10%-12% range over the longer term. We project organic growth of 10%, which is a few hundred basis points above its peers, albeit with a slightly higher risk profile. Below, we expand on the concentration of clients and therapeutic areas.

Client concentration. As the trend toward strategic partnerships has increased over the last five years, so has investors' focus on the risk of client concentration. Sponsor deal flow remains an important source of uncertainty for CRO stocks, as was quite apparent in the spring of 2014 when Pfizer attempted to purchase AstraZeneca. Aside from contracting R&D budgets and peaking penetration rates, we believe sponsor M&A activity can be the most disruptive force to short-term outsourcing trends. Considering INC's relatively small 4% market share, we believe its distribution of clients is quite favorable, especially when viewed from the top 5 and 10 client positions (exhibit 18). INC has had success closing business with small to midsize biopharma companies, which often prefer to work with smaller CROs. We estimate INC's client concentration will decline over time as it continues to focus on the emerging biotech segment; in 2013 alone, INC added 53 new small to midsize clients. As shown in exhibit 19, INC has the highest concentration of small to midsize clients, which we view as a potential tailwind for the company over the intermediate term if R&D spending continues to grow faster at small biotech than large pharma (exhibit 20).

Exhibit 18
Client Concentration at CROs

	Covance	ICON	Parexel	Quintiles	PRA	INC
Top Client	11%	35%	15%	<10%	<10%	15%
Top 5 Clients	~40%	52%	44%	45%	38%	34%
Market Share	8%	7%	10%	20%	6%	4%

Note: CVD market share does not include central lab sales

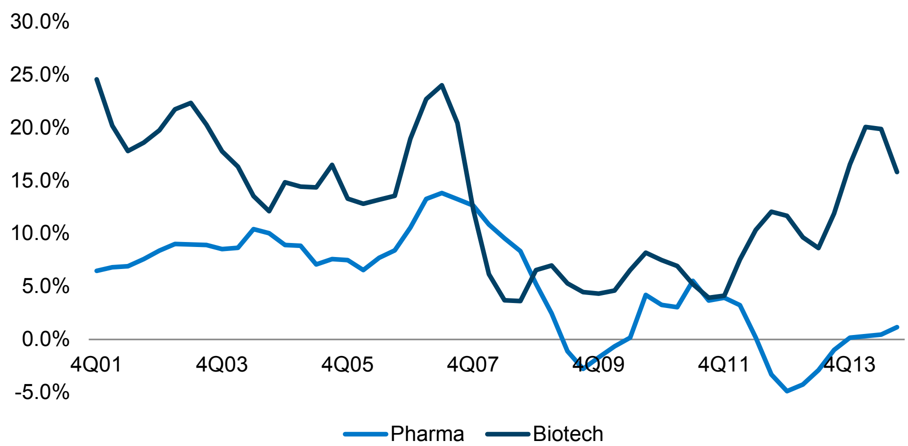
Sources: Company reports and William Blair estimates

Exhibit 19
Percentage of Revenue by Client Type at CROs

	Covance	ICON	Parexel	Quintiles	PRA	INC
Large Biopharma	80%	60%	60%	60%	68%	57%
Small to Midsize Biopharma	20%	40%	40%	40%	32%	43%

Sources: Company reports and William Blair & Company, L.L.C. estimates

Exhibit 20
Rolling-Four-Quarters R&D Growth



Note 1: Pharma includes PFE, GSK, MRK, AZN, BMY, JNJ, LLY, ROG, NVS, SNY
Note 2: Biotech includes AMGN, BIIB, BMRN, CLGN, GILD, ISIS, MDCO, VRTX
Sources: Company reports

Focus on faster-growing areas. As shown in the data above, we believe there has been an encouraging rebound in the product pipeline in the past four years. This has driven significant growth for CROs over the same period. According to data from Parexel's consulting group, however, growth has slowed somewhat in 2014 (at least through April). This could be adding to investor skepticism following the large number of equity sales in the industry of late. While this skepticism is reasonable, we believe the expected increase in R&D spending and recent funding trends for biotech firms should drive trial growth higher over the next several years.

Exhibit 21
Total Average Number of Active Programs by Year*

Phase	March 2005	March 2006	April 2007	May 2008	April 2009	April 2010	April 2011	April 2012	April 2013	April 2014
Phase I	1,539	1,702	1,828	2,064	2,292	2,505	2,609	2,767	2,865	2,713
Phase II	1,694	1,871	1,918	2,152	2,294	2,488	2,578	2,669	2,777	2,636
Phase III	754	812	794	910	952	1,005	1,079	1,219	1,315	1,333

Note: Databases search via Dialog and Pharmaprojects
*Numbers rounded
Sources: Parexel Consulting and Parexel Sourcebook

We believe that the two largest components of the industry's pipeline, and arguably the most important, are oncology and CNS. According to EvaluatePharma and IMS, these were the two largest sales categories for the pharmaceutical industry in 2013, and given that nearly 50% of the pipeline is devoted to these two categories, they are expected to become an even larger percentage of total spending by 2020 (see exhibits 23 and 24). Industry estimates suggest that these two categories combined should account for nearly 24% of industry revenue by 2020, up from 21% today, with CNS declining from 12% to 9% and oncology increasing from 10% to 15%.

We believe the reduction in contribution from CNS is due to generic competition, particularly in mental health. The specialty component of that market, including treatments for Alzheimer's, cataplexy, narcolepsy, and Huntington disease, is expected to increase significantly. According to Express Scripts, spending on these more specialized areas is expected to increase more than 40% over the next three years.

Exhibit 22
Leading Therapy Classes in 2013 Global Pharmaceutical Sales

Therapy Class	2013 Sales	Growth (constant $)
Oncologics	67.1	8.5%
Pain	57.3	4.7%
Antidiabetics	54.4	10.2%
Antihypertensives	49.6	-1.7%
Antibacterials	40.3	2.6%
Mental health	39.5	-2.6%
Respiratory	38.1	-1.8%
Autoimmune	31.1	14.4%
Lipid regulators	28.9	-10.8%
Dermatologics	26.8	11.3%
Anti-ulcerants	25.6	1.7%
Anticoagulants	24.1	-2.5%
GI Products	23.5	7.4%
Other cardiovasculars	21.9	6.2%
HIV antivirals	20.6	8.7%
Nervous system disorders	20.2	9.7%
Other CNS	18.6	6.4%
Cough, cold (incl. flu/antiviral)	14.5	10.1%
Vaccines	14.1	4.5%
Hematopoietic Growth factors	13.5	5.0%

Sources: IMS Health Midas, Dec. 2013, and Parexel Sourcebook, 2014/2015

Given INC's expertise and concentrated exposure to these therapeutic areas, we believe the opportunity to increase revenue growth is significant. INC is more tied to these therapeutic categories than its peers; this should allow for some outperformance on the top line even if it maintains market share. Conversely, if these segments fall out of favor, INC could underperform its more diversified peers.

Exhibit 23
Worldwide Prescription and OTC Sales by Therapeutic Category (2006-2020)

Therapeutic Category	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	CAGR
Oncology	38.0	43.6	49.2	54.7	60.3	64.8	67.9	72.8	80.8	90.5	102.7	117.4	133.2	146.3	155	10.6%
Central Nervous System	81.5	85.1	88.8	92.4	96	99.0	91.6	91.9	87.45	84.8	86.35	89.05	92.7	93.4	96.2	1.2%
Musculoskeletal	33.6	37.2	40.8	44.3	47.9	54.0	58.1	61.1	64.35	67.75	71.25	74.35	76.9	78.9	80.7	6.5%
Systemic Anti-infectives	44.25	46.0	47.7	49.4	51.1	53.9	55.4	56.4	62.65	69.05	73.55	75.8	75.5	76.7	78.9	4.2%
Anti-diabetics	19.5	22.4	25.3	28.1	31	34.9	36.3	38.6	43.65	48.5	52.85	56.7	60.4	64.6	68.7	9.4%
Blood	36.6	38.4	40.2	41.9	43.7	46.4	42.0	41.2	43.65	46.55	49.35	52.2	55	58	60.8	3.7%
Cardiovascular	79	80.1	81.1	82.2	83.25	85.8	74.5	66.3	63.05	61.35	59.75	56.45	56.1	56.7	57.8	-2.2%
Respiratory	36.7	38.9	41.1	43.2	45.4	48.8	46.8	44.8	45.75	47.65	50.15	52.35	53.5	54.8	55.8	3.0%
Gastro-intestinal	33.25	32.7	32.1	31.5	30.9	31.4	30.2	29.7	28.35	28.25	29.65	32.05	34.9	38	41.2	1.5%
Vaccines	13	16.3	19.5	22.8	26	24.8	25.1	25.5	28.35	30.35	32.45	34.7	36.8	39	41.1	8.6%
Sensory Organs	8.95	10.1	11.3	12.5	13.7	15.4	16.4	17.5	19.15	20.65	21.95	23.4	25	26.5	27.9	8.5%
Genito-Urinary	21.2	22.5	23.8	25.1	26.4	27.1	27.4	27.5	27.55	27.95	28.05	28.05	26.3	25.6	25.7	1.4%
Immunology	11.9	12.7	13.4	14.2	14.9	15.9	16.5	17.1	17.05	17.3	17.75	18.15	19	20.2	21.3	4.2%
Dermatology	8.4	9.5	10.6	11.7	12.8	13.7	14.1	13.5	13.65	14.05	14.95	16	17	17.9	19	6.0%
Endocrine	7.35	7.8	8.3	8.7	9.2	9.8	9.8	10.2	10.55	10.85	10.75	10.75	10.5	10.4	10.5	2.6%
Diagnostic Imaging	6.05	6.2	6.4	6.6	6.8	7.2	7.1	6.9	6.95	7.2	7.25	7.45	7.7	7.9	8.2	2.2%
Other	88.5	96.5	104.5	112.5	120.5	132.4	134.8	133.8	142.6	154.6	165.5	178.5	190.6	203.8	216.6	6.6%
Total	**567.8**	**605.8**	**643.8**	**681.8**	**719.8**	**764.6**	**753.2**	**754.2**	**785.5**	**827.3**	**874.0**	**922.3**	**969.1**	**1016.6**	**1063.1**	**4.6%**

Source: EvaluatePharma, May 1, 2014

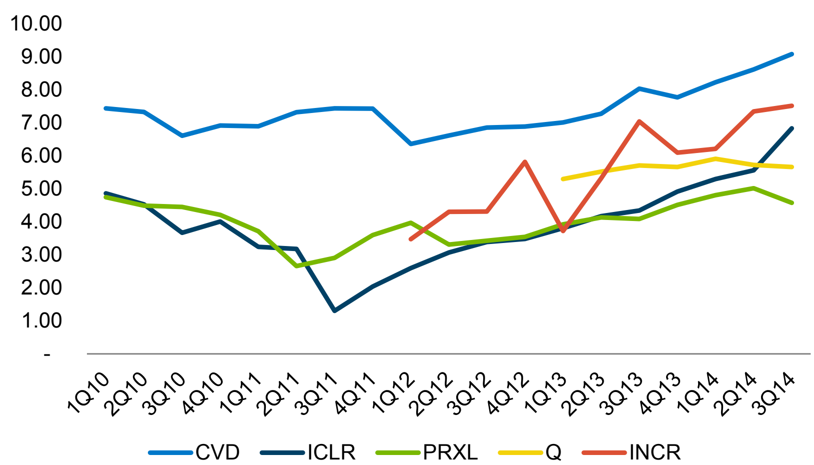
Exhibit 24
Worldwide Prescription and OTC Sales by Therapeutic Category (2010-2020)

Therapeutic Category	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Oncology	6.7%	7.2%	7.6%	8.0%	8.4%	8.5%	9.0%	9.7%	10.3%	10.9%	11.7%	12.7%	13.7%	14.4%	14.6%
Central Nervous System	14.4%	14.1%	13.8%	13.5%	13.3%	12.9%	12.2%	12.2%	11.1%	10.3%	9.9%	9.7%	9.6%	9.2%	9.0%
Total	21.0%	21.2%	21.4%	21.6%	21.7%	21.4%	21.2%	21.8%	21.4%	21.2%	21.6%	22.4%	23.3%	23.6%	23.6%

Sources: EvaluatePharma (May 1, 2014) and William Blair & Company, L.L.C. estimates

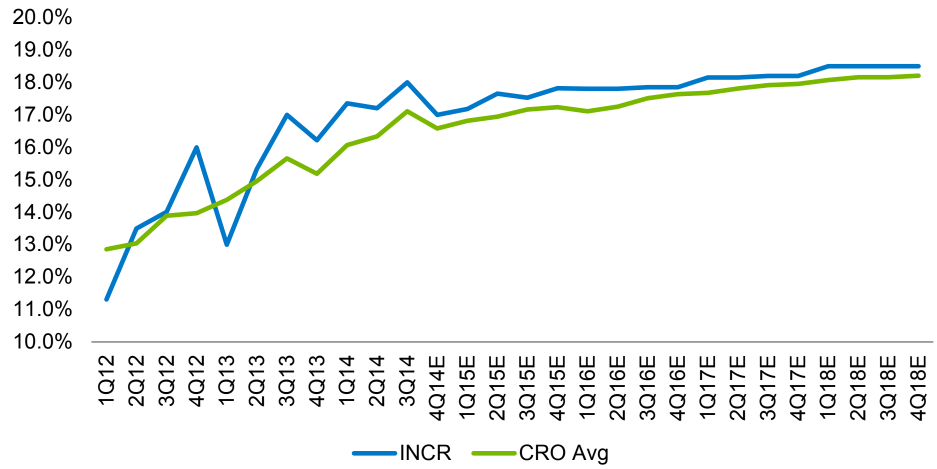
Operational efficiencies. Pharmaceutical outsourcing industry participants were historically focused on increasing revenue and taking market share, whereas now the focus has expanded to increased efficiencies and profitability. As the cost per drug approval continues to rise, we believe companies that can harness technology to make drug development more automated, more predictable, and less labor dependent will thrive. While it is unclear who the leader is today, all CROs have realized material gains on returns over the last two years. As shown in exhibit 25, since fourth quarter 2011, ICON has increased its EBITDA per employee by a stunning 235%, whereas Parexel and Covance have, on average, increased the same metric by 25%. While Covance has the largest absolute value because of its highly automated central lab business, INC has the highest value compared directly with clinical development peers. Similarly, INC has generated EBITDA margins greater than the industry average in 9 of the last 11 quarters (exhibit 26). Management believes it can drive EBITDA margins to 20% over the longer term, suggesting about 260 basis points of margin leverage remaining. We assume EBITDA margin of 18.5% in 2018, which translates into a potential annual earnings lift of 2 to 3% above revenue growth over the next four years.

Exhibit 25
EBITDA Per Employee (000s)



Sources: Company reports

Exhibit 26
INC Research Holdings, Inc.
EBITDA Margin Relative to CRO Average



Note 1: CRO average includes CVD, ICLR, PRXL, Q, and PRAH (excluding RPS)

Note 2: Because of an increased level of change orders in 2Q14 and 3Q14, we estimate INCR's 2014 normalized EBITDA margin to be 17.4%

Sources: William Blair & Company, L.L.C. estimates and company reports

"Trusted process." Many CROs tout their operating model as superior to their peers; INC is no different. The company has developed an internal model, referred to as "trusted process," that it believes improves the consistency and efficiency of the drug-development process and reduces the duration of the trial. Since it introduced the revised process, the time from the completion of the protocol design to the time the first patient is treated was reduced by 26%, from 151 days in 2006 to 112 days in 2013. During this period, the industry mean reportedly increased. Once patient enrollment begins, the process has proved materially faster than traditional methodologies, with INC's examples citing reductions of 8 to 20 weeks. Although these are anecdotal claims, we believe this rigorous focus on efficiency is an indicator of the quality-focused culture that management has created.

This efficiency not only drives revenue growth, but also should create margin leverage as this disciplined, repeatable approach and increased use of technology should allow for expenses to ramp up more slowly than revenue. EBITDA per employee and EBITDA margin are among the highest of all the publicly traded CROs, lending some support to the efficiency claims.

To summarize, we believe demand remains solid and outsourcing penetration has plenty of room to improve. We view the industry transactions as a normal part of the cycle of private equity interest in the space. We acknowledge that the group valuation is toward the high end of historical averages, and this is likely a contributing factor to the equity selling, but we believe the underlying growth fundamentals suggest that the companies can grow into these valuation multiples. Given this outlook, we believe that investors should maintain exposure to the space and that INC is an attractive way to do so. In the following section, we review some company-specific details, including the particulars of the financial projections and valuation.

Company Overview

History

INC Research's roots can be traced to 1985, when the Brain Injury Research Program at the University of Virginia was conducting pivotal head injury and cerebrovascular studies. Six years later, from 1991 to 1998, it became part of the Neuroclinical Trials Center, where it conducted more than 40 global CNS clinical studies involving 20,000 patients. In 1998, it joined forces with the Integrated Neuroscience Consortium to form what is now known as INC Research. Since 1998, INC has acquired 11 companies and has transformed itself from a niche player to one of the top seven players in the industry. As shown in exhibit 27, INC has a proven record of successfully integrating companies to enhance its capabilities. In the future, we believe its strategy will be to focus on small tuck-in acquisitions that will expand its geographic reach, therapeutic expertise, and technological capabilities.

Today, the company has a balanced presence across six continents, with particular emphasis on the key North American and European markets. We view geographic reach as a necessary factor to win global trials, and while INC has a presence in all key markets, we would not be surprised by headcount additions in Europe and Asia.

Exhibit 27
INC Research Holdings, Inc.
Historical Acquisitions

Acquisition	Year Acquired	Strategic Rationale
MEK Consulting	2014	Expanded access to Middle East and North Africa
Kendle International	2011	Enhanced global scale and placed INC among top-tier CROs worldwide; integration completed as of July 2012
Trident	2011	Expanded footprint in Australia, New Zealand, and India
AVOS Life Sciences	2011	Added consulting expertise and enhanced access to large biopharma customers
MDS Global Clinical Development	2009	Added expertise in respiratory, cardiovascular, and endocrinology
INC GVK BIO	2007	50:50 joint venture that provided an attractive low-cost entry into the high-growth Indian market
Advanced Biologics	2007	Added expertise in infectious diseases
Pharmaceutical Resources	2006	Provided INC with a northeastern hub in the United States
NDDO Oncology	2005	Added one of the leading oncology franchises based in Europe
Vujaklija CRO	2002	Expanded INC's operations into Central and Eastern Europe
Tanistry	2001	Provided depth to central nervous system franchise

Sources: Company reports

Exhibit 28
INC Research Holdings, Inc.
Global Footprint

Source: Company report

Management

Another differentiator for INC is its experienced management team. We believe that Jamie Macdonald, since being appointed CEO in 2013, has done a great job establishing a strong culture by bringing in top industry talent. We have been impressed with this team's ability to integrate underperforming clinical assets such as Kendle and MDS.

Exhibit 29
INC Research Holdings, Inc.
Executive Biographies

Name	Title	Tenure	Experience
Jamie Macdonald	CEO and Director	20 years	Mr. Macdonald joined INC in July 2011 as chief operating officer when the company acquired Kendle, where he was COO from May 2011 to July 2011. Before Kendle, he served for 15 years in various senior operational roles at Quintiles. Mr. Macdonald earned his B.A. in economics from Heriot-Watt University in Edinburgh, Scotland. Mr. Macdonald has been INC's CEO and a member of the board since January 2013.
Greg Rush	Executive VP and CFO	23 Years	Mr. Rush joined INC in August 2013 as executive vice president and CFO. From April 2010 to August 2013, he served as senior vice president and CFO of Tekelec, Inc., which was acquired by Oracle in June 2013, after he served as interim CFO in March 2010. He joined Tekelec as vice president and corporate controller in May 2005 and served as vice president, chief accounting officer from May 2006 to March 2010. Mr. Rush received his Bachelor of Science in business and Master of Accounting degrees from the University of North Carolina at Chapel Hill.
Alistair Macdonald	COO	+20 Years	Mr. Macdonald has been INC's COO since January 2013. He joined the company in 2002 and has served in various senior leadership roles during that time. Before his current role, Mr. Macdonald most recently served as president, clinical development services from March 2012 to January 2013, where he oversaw study start-up, regulatory consulting and submissions, drug safety, Phase I services, global clinical operations management, alliance delivery, and functional service provision. He received his Master of Science degree in environmental diagnostics from Cranfield University.
Neil Ferguson	Executive VP, Global Business Development	+25 Years	Mr. Ferguson is responsible for business development, marketing, proposals and sales support, and business intelligence groups, providing strategic leadership to drive company growth plans. He previously worked at Quintiles for almost 15 years in a number of senior positions, including vice president and head of commercial sales for North America and managing director at Quintiles Greater China. Mr. Ferguson received his Bachelor of Science degree in applied biological sciences from the University of the West of England.
Jean Chitwood	Senior VP, Corporate Strategy	+25 Years	Ms. Chitwood is responsible for strategic planning, oversees corporate communications, and plays a key role in acquisitions, integration planning, and oversight. Her previous experience includes providing corporate positioning and leading business development and fund-raising efforts for the start-up Erimos Pharmaceuticals. Ms. Chitwood also brings with her more than 25 years of experience in healthcare, with a variety of roles across academia, pharmaceutical, and CRO.

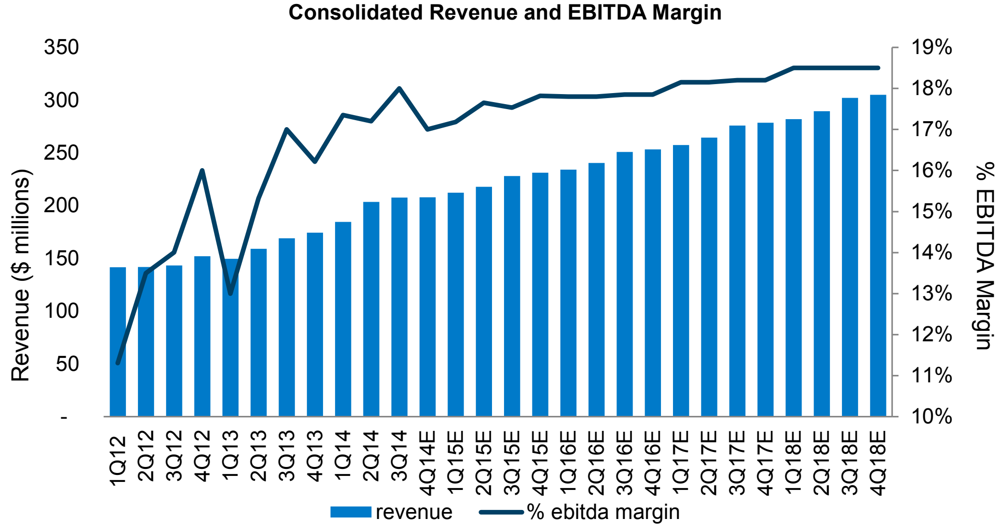
Sources: Company reports

Financial Outlook and Modeling Assumptions

While INC is the smallest public CRO on a revenue basis, it is one of the most profitable as measured by EBITDA margins. Given the company's focus on the fastest-growing therapies (oncology and CNS), along with developing relationships with emerging biotech companies, we believe INC can grow faster than its late-stage development peers over the next five years. While we estimate INC will grow faster than the market, given its size we believe it will be more susceptible to volatile bookings on a quarterly basis. Thus, we recommend investors evaluate the group on a rolling-four-quarter basis. We project in a normal economic environment top-line growth for INC in the 9.5% to 10.5% range (all organic). Management's longer-term goal is 10%-12%.

On a consolidated basis, we believe the company can realize operating margin leverage of 20 to 30 basis points per year, which should enable operating income growth in the low teens. Given that margins are already high compared with peers, we believe any improvement is likely to come from a moderation in pricing competitiveness and any technological improvements to the clinical development process. We acknowledge that our model is conservative relative to management expectations calling for long-term EBITDA margins of 20%. We calculate that every 20 basis points of EBITDA leverage translate into about two cents in EPS, or a boost of one to two percent to annual EPS growth.

Exhibit 30
INC Research Holdings, Inc.
Consolidated Revenue and EBITDA Margin



Note 1: Because of an increased level of change orders in 2Q14 and 3Q14, we estimate INCR's 2014 normalized EBITDA margin to be 17.4%

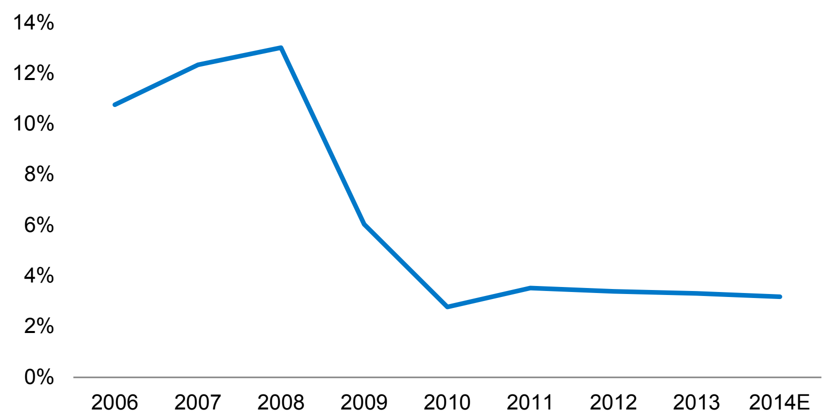
Sources: William Blair & Company, L.L.C. estimates and company reports

Foreign exchange will likely contribute to quarterly volatility for INC, as it has for all global CROs. Based on company filings, about 27% of net service revenues are denominated in currencies other than the U.S. dollar, with the most significant currency exposure to the euro and British pound. We believe the exposure to euros is naturally hedged, so the EPS and revenue impacts will be similar and will only represent a translational, paper impact. The British pound, on the other hand, represents a higher percentage of costs than revenue. Therefore, a stronger dollar will result in a benefit to EPS as costs are reduced to a higher degree than revenue.

Cash Flow

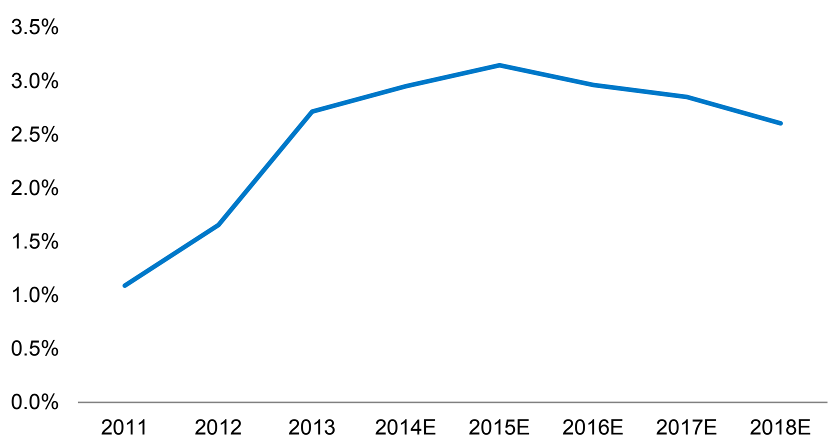
Given high margins and relatively low capital expenditure requirements, we believe that INC is poised to generate strong free cash flow in the coming years. As shown in exhibit 31, industry capital expenditures have declined from recent highs in 2008. As the industry has matured, capital expenditures as a percentage of sales have been quite consistent at roughly 3% since 2010. While investing in technology remains a focus for the CRO industry, we believe the majority of the infrastructure is in place to support growth, which should lead to more sustainable free cash flow. We estimate INC will be able to match this trend over the next four years, as it invests roughly 2.5% of sales in capital expenditures (exhibit 32). Management has stated that cash will be used to fund internal growth and pay down debt to reduce interest expense. Our model does not include any acquisitions in future years and assumes modest option dilution.

Exhibit 31
CRO Average Capital Expenditures as % of Sales



Note: CRO weighted average includes CVD, ICLR, PRXL, Q, and CRL
Source: FactSet

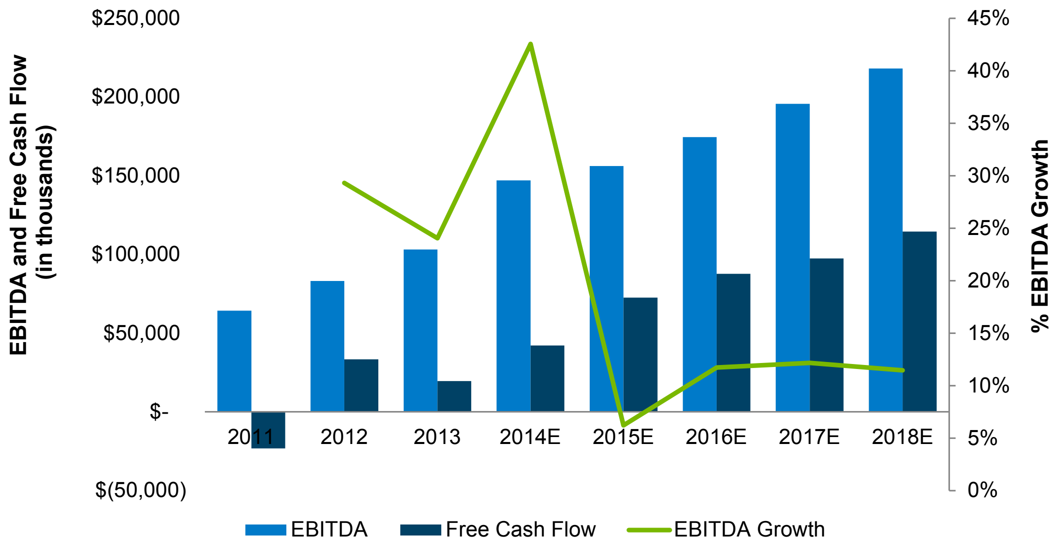
Exhibit 32
INC Research Holdings, Inc.
Capital Expenditures as % of Sales



Sources: William Blair & Company, L.L.C. estimates and company reports

Over the last few years, INC has been able to generate free cash flow as a percentage of EBITDA at about 45%, producing a free cash flow yield of roughly 4.6% based on 2015 estimates. Based on the previous discussion, we conservatively believe INC will be able to grow free cash flow in line with or slightly faster than EBITDA over the long term, as capital expenditures as a percentage of sales decline from current levels.

Exhibit 33
INC Research Holdings, Inc.
Operating Cash Flow as Percentage of EBITDA



Sources: William Blair & Company, L.L.C. estimates and company reports

Given INC's current debt-to-capital ratio of 52% and net debt-to-EBITDA ratio of 2.0 times (post-IPO), management has already stated that it has opted to use free cash flow proceeds to further pay down debt. In 2015, we project that interest expense will detract $0.23 from EPS. Because of the notable free cash flow being generated, INC will be able to boost EPS by paying down debt and subsequently reducing interest expense on the income statement. For example, exhibit 35 demonstrates that if INC uses 60% of annual free cash flows to reduce debt from 2016 to 2018, it could increase EPS by $0.02 in 2016, $0.05 in 2017, and $0.09 in 2018, with a resulting 2018 debt-to-EBITDA ratio of 0.9 times, by our calculations. Management has stated that it expects to have zero debt by the end of 2018, so our base model implies that INC will add $0.16 to EPS from 2016 to 2018.

Exhibit 34
INC Research Holdings, Inc.
Peer Companies' 2015 Estimated Debt Ratios

Company	Debt-to-Capital	Net Debt-to-EBITDA
CRL	54%	2.1x
CVD	14%	NA
ICLR	NA	NA
PRXL	39%	0.2x
Q	136%	1.8x
INCR	**52%**	**2.0x**

Sources: William Blair & Company, L.L.C. estimates and company reports

Exhibit 35
INC Research Holdings, Inc.
EPS Benefit From Reduced Interest Expense

% of Free CF	2016	2017	2018	Debt-to-EBITDA
30.0%	$ 0.01	$ 0.03	$ 0.04	1.3x
60.0%	$ 0.02	$ 0.05	$ 0.08	0.9x
90.0%	$ 0.04	$ 0.08	$ 0.13	0.4x
BASE	$ 0.02	$ 0.10	$ 0.16	0.0x

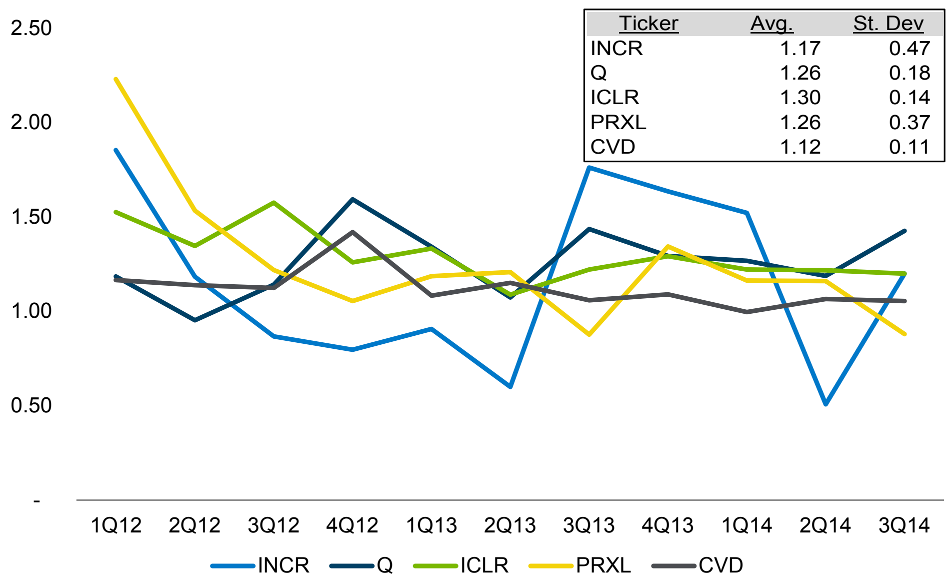
Note: Base model assumes no debt by 4Q18

Sources: Company reports and William Blair & Company, L.L.C. estimates

Book-to-Bill Ratio

Over the last 11 quarters, INC has reported an average quarterly book-to-bill ratio of 1.17 times, compared with 1.12 times for Covance, 1.26 times for Parexel, 1.26 times for Quintiles, and 1.30 times for ICON. While INC's average book-to-bill ratio is fairly similar to its peers, quarterly volatility is more pronounced. For example, since first quarter 2012, quarterly bookings have ranged from 0.5 to 1.85 times revenue. By comparison, Parexel has experienced the second-highest level of volatility, with quarterly bookings ranging from 0.88 to 2.23 times revenue. Given the relative size of INC's backlog, we believe the company will continue to experience volatile bookings from quarter to quarter, which could cause the share price to be more volatile than its peers.

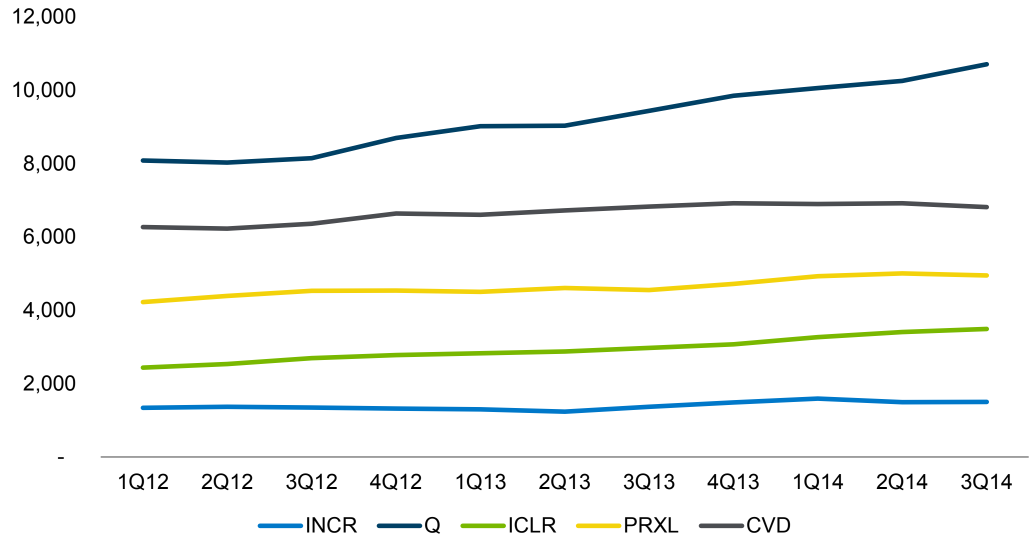
Exhibit 36
Net Book-to-Bill Ratios



Ticker	Avg.	St. Dev
INCR	1.17	0.47
Q	1.26	0.18
ICLR	1.30	0.14
PRXL	1.26	0.37
CVD	1.12	0.11

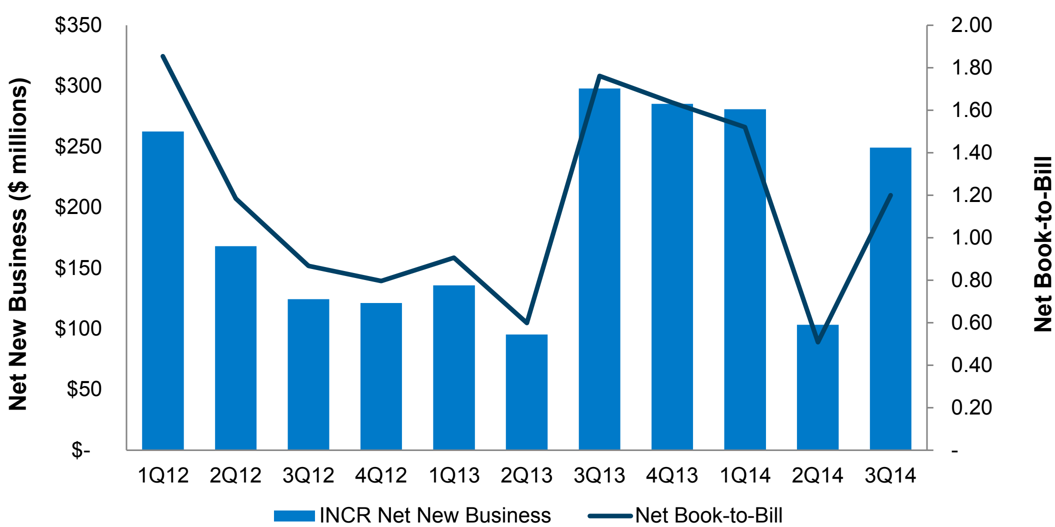
Sources: Company reports and William Blair & Company, L.L.C.

Exhibit 37
Quarterly Backlog



Sources: Company reports and William Blair & Company, L.L.C.

Exhibit 38
INC Research Holdings, Inc.
Quarterly Net New Business



Sources: Company reports and William Blair & Company, L.L.C.

Key Sensitivity Assumptions

Operating margin. We believe INC can improve its EBITDA margin by 20 to 30 basis points annually, thanks to facility consolidation and improvements to internal IT systems. Because of elevated levels of change orders in the second and third quarters of 2014, INC experienced abnormally high EBITDA margins. Because of these large change orders, amounting to roughly $9 million, we estimate an as-reported 2014 EBITDA margin of 18.3%. Excluding the $9 million, we estimate the normalized 2014 EBITDA margin would be 17.4%. As a result, we expect the as-reported 2015

EBITDA margin to contract 70 basis points, to 17.6%. On a normalized basis, the margin would have expanded 20 basis points. Thus, the following margin sensitively analysis starts at the end of 2015 and goes through 2018.

Using our 2016 estimates, every 10 basis points of margin leverage results in a $0.01 swing to EPS (about 0.8% of the earnings base). Therefore, if the 20 basis points of leverage we forecast do not materialize, there could be as much as 1.5% downside to our earnings expectations.

Revenue. We project constant-currency, organic revenue growth of 10% in 2016. Every 100 basis points in 2016 revenue growth is equivalent to roughly $8.75 million in sales. Assuming our 17.8% margin assumption remains unchanged, every 100-basis-point change in revenue growth yields a change of 1.6 cents in EPS (roughly 1.2%) annually.

From 2015 results through 2018, we expect a top-line CAGR of 10% and annual operating leverage of 30 basis points. In exhibit 39, we estimate a range of 2018 EPS, based on annual revenue growth between 4% and 16% and annual operating margin declines of as much as 20 basis points to increases of as much as 80 basis points. We believe that the most likely range of outcomes is for a minimum of 6% annual revenue growth and zero margin leverage and a maximum of 12% annual revenue growth and 40 basis points of annual margin leverage. This would result in a potential EPS range of $1.67 to $2.14, compared to our estimate for 2018 EPS of $2.05, a 21% CAGR.

Exhibit 39
INC Research Holdings, Inc.
2018 EPS Range Based on Revenue CAGR and EBITDA Leverage Variations

Annual EBITDA Margin Change	Three-Year Revenue CAGR (2015 to 2018): 4%	6%	8%	10%	12%	14%	16%
-0.20%	$ 1.46	$ 1.57	$ 1.68	$ 1.79	$ 1.91	$ 2.03	$ 2.15
-0.10%	$ 1.50	$ 1.60	$ 1.71	$ 1.83	$ 1.95	$ 2.07	$ 2.20
0.00%	$ 1.53	$ 1.63	$ 1.75	$ 1.86	$ 1.98	$ 2.11	$ 2.24
0.10%	$ 1.56	**$ 1.67**	**$ 1.78**	**$ 1.90**	**$ 2.02**	$ 2.15	$ 2.28
0.20%	$ 1.59	**$ 1.70**	**$ 1.82**	**$ 1.94**	**$ 2.06**	$ 2.19	$ 2.33
0.30%	$ 1.62	**$ 1.73**	**$ 1.85**	**$ 1.98**	**$ 2.10**	$ 2.23	$ 2.37
0.40%	$ 1.65	**$ 1.77**	**$ 1.89**	**$ 2.01**	**$ 2.14**	$ 2.28	$ 2.41
0.50%	$ 1.68	$ 1.80	$ 1.92	$ 2.05	$ 2.18	$ 2.32	$ 2.46
0.60%	$ 1.72	$ 1.83	$ 1.96	$ 2.09	$ 2.22	$ 2.36	$ 2.50
0.70%	$ 1.75	$ 1.87	$ 1.99	$ 2.12	$ 2.26	$ 2.40	$ 2.54
0.80%	$ 1.78	$ 1.90	$ 2.03	$ 2.16	$ 2.30	$ 2.44	$ 2.59

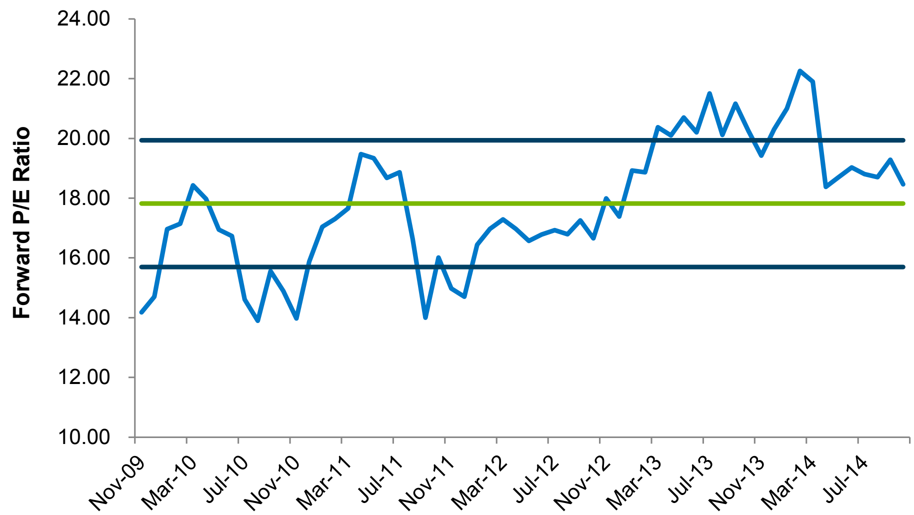
Sources: Company reports and William Blair & Company, L.L.C. estimates

Breaking down growth further, operations are driving the majority of earnings growth, but because of substantial deleveraging and a declining tax rate from 2015 to 2018, we believe INC will be able to average 21% bottom-line growth over the next four years.

Valuation

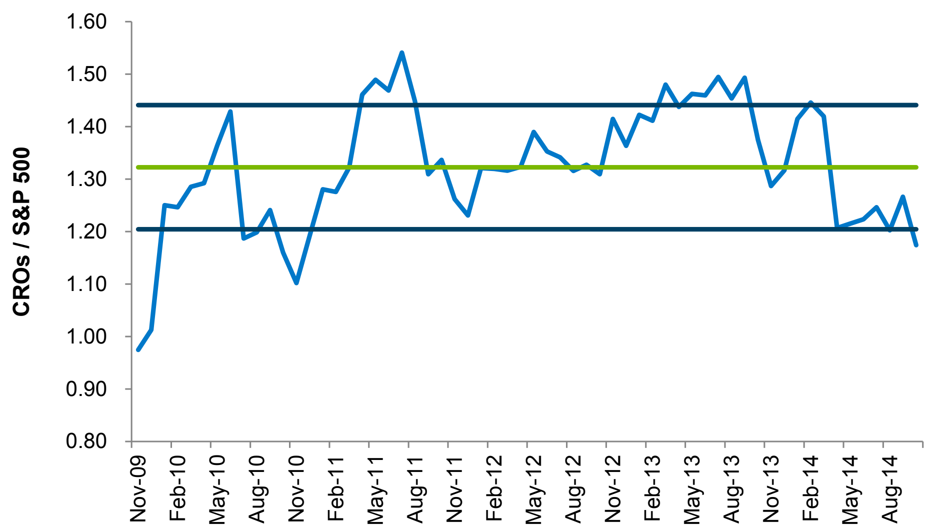
Since its IPO at $18.50 on November 7, INC's stock is up 32%, compared with its peer average of 4% over the same period. So far this year, CRO stocks have risen 26%, outpacing the broader equity market's 11.9% return. While CRO equity returns have more than doubled the S&P 500 in 2014, both absolute and relative P/E valuations have come down from recent peaks. Over the last five years on a forward P/E basis, the peer group has traded between 16 and 20 times, with an average multiple of 18 times (exhibit 40). Excluding Covance, given its current acquisition premium, the CRO peer group is trading at 18.7 times our 2015 estimates, slightly above its long-term average of 18.3 times. While the group looks fairly valued on an absolute basis, relative to the broader market it is trading more than one standard deviation below its five-year average of 1.33 times. As shown in exhibit 41, relative to the S&P 500, CRO stocks have not traded at this level since late 2010.

Exhibit 40
CRO Group Five-Year Forward P/E Ratio (November 2009 to October 2014)



Note: Companies include CVD, CRL, ICLR, PRXL, and Q
Source: FactSet

Exhibit 41
CRO Group Five-Year P/E Relative to the S&P 500 (November 2009 to October 2014)



Note: Companies include CVD, CRL, ICLR, PRXL, and Q
Source: FactSet

INC trades at 22 times our 2015 EPS estimate (including stock-based compensation expenses), a 10% premium to its peer group (17% excluding Covance). Over the next three to five years, INC should be able to maintain a premium valuation to its peers, in our view, if it can generate earnings growth in the 20% range. We believe this is plausible, given its therapeutic focus on CNS, oncology, and other complex disease (75% of backlog), along with a favorable capital deployment strategy.

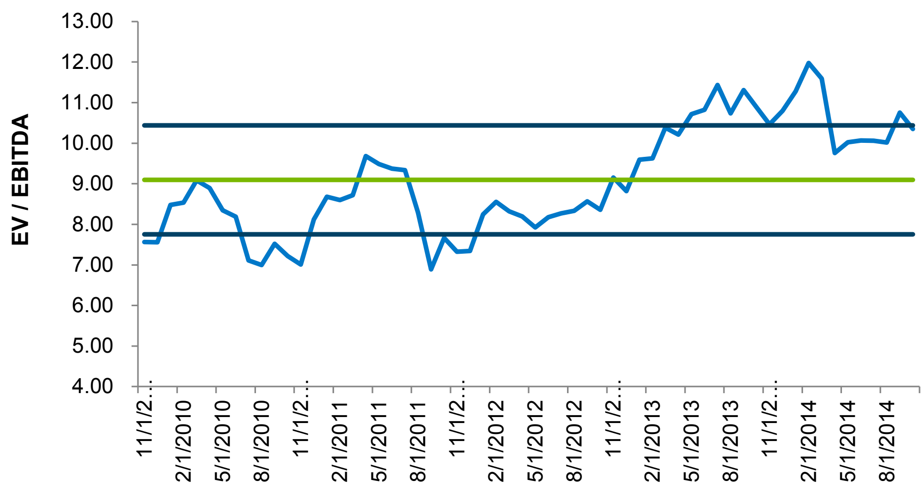
Exhibit 42
INC Research Holdings, Inc.
CRO Valuation Comparison

Company	Ticker	Share Price	Enterprise Value	Net Debt	2015 EPS	2015 EBITDA	2015 P/E	2015 EV/EBITDA	Net Leverage Ratio
ICON	ICLR	$55.5	$3,275.0	NA	$3.17	$288.1	17.5	11.4	NA
Parexel	PRXL	$58.5	$3,348.3	$85.8	$2.97	$343.5	19.7	9.7	0.2
Quintiles	Q	$57.8	$8,949.6	$1,398.2	$2.95	$772.0	19.6	11.6	1.8
Charles River	CRL	$64.8	$3,691.3	$656.0	$3.62	$312.4	17.9	11.8	2.1
Covance	CVD	$102.6	$5,435.7	NA	$4.07	$459.5	25.2	11.8	NA
INC Research	INCR	$24.4	$1,863.7	$314.2	$ 1.11	$156.1	21.9	11.9	2.0
Average			**$4,427.3**				**20.3**	**11.4**	**1.5**

Source: William Blair & Company, L.L.C. estimates

We believe enterprise value to EBITDA is an alternative way to assess the company's valuation. Based on FactSet data, over the last five years, CROs have traded in a relatively narrow range between 8 and 10.5 times EBITDA, as shown in exhibit 43. Using our estimates, the group is trading at roughly 11 times 2015 EBITDA, which is more than one standard deviation above its five-year average of 9 times. While valuations appear full at current levels using this metric, as shown in exhibit 44, valuations are 5 turns lower than all-time highs reached in 2008 and 1.5 turns lower than the most recent highs of 2013. INC is trading at an enterprise value of 11.9 times our 2015 EBITDA estimate (including stock compensation), which is a 6% premium to its peers.

Exhibit 43
INC Research Holdings, Inc.
CRO Group Five-Year EV/EBITDA (November 2009 to October 2014)



Note: Companies include CVD, CRL, ICLR, PRXL, and Q
Source: FactSet

Exhibit 44
CRO Group Ten-Year EV/EBITDA (November 2004 to October 2014)

Note: Companies include CVD, CRL, ICLR, PRXL, and Q
Source: FactSet

Exhibit 45
INC Research Holdings, Inc.
Income Statement

	2011	2012	Q1'13	Q2'13	Q3'13	Q4'13	2013	Q1'14	Q2'14	Q3'14	Q4'14E	2014E	2015E	2016E	2017E	2018E
Service revenue	**$ 437,005**	**579,145**	**149,743**	**159,202**	**169,108**	**174,365**	**652,418**	**184,700**	**203,540**	**207,763**	**207,930**	**803,933**	**$ 889,535**	**$ 978,628**	**$ 1,076,491**	**$ 1,178,757**
Direct Costs	279,840	389,057	104,768	106,497	108,917	112,080	432,262	120,764	130,781	129,557	133,699	514,801	$ 575,777	$ 633,172	$ 695,413	$ 759,120
SG&A	92,891	106,970	27,313	28,312	27,418	34,012	117,055	31,890	33,616	37,763	38,883	142,152	$ 157,634	$ 171,008	$ 185,417	$ 201,568
Stock-based comp expense	(1,176)	(1,248)	(355)	(364)	(134)	(1,566)	(2,419)	(531)	(893)	(881)	(960)	(3,265)	$ (3,815)	$ (4,210)	$ (6,600)	$ (7,600)
Adjusted EBITDA	**65,450**	**84,366**	*18,017*	*24,757*	*32,907*	*29,839*	**105,520**	32,577	40,036	41,324	36,308	**150,245**	**$ 159,939**	**$ 178,658**	**$ 202,260**	**$ 225,670**
Depreciation	15,700	19,915	4,446	4,758	4,730	5,241	19,175	6,869	5,025	4,734	6,238	22,866	$ 23,128	$ 25,666	$ 27,451	$ 28,290
EBITA	**49,750**	**64,451**	**13,571**	**19,999**	**28,177**	**24,598**	**86,345**	**25,708**	**35,011**	**36,590**	**30,070**	**127,379**	**$ 136,811**	**$ 152,992**	**$ 174,810**	**$ 197,380**
Interest expense	(65,482)	(62,007)	(14,817)	(14,772)	(14,769)	(16,131)	(60,489)	(15,901)	(12,823)	(12,903)	(11,600)	(53,227)	$ (21,700)	$ (14,286)	$ (7,311)	$ (1,484)
Other	9,864	1,944	(1,035)	(30)	(175)	(213)	(1,453)	1,378	(337)	5,136	-	6,177	$ -	$ -	$ -	$ -
Net Interest (expense) income	**(55,618)**	**(60,063)**	**(15,852)**	**(14,802)**	**(14,944)**	**(16,344)**	**(61,942)**	**(14,523)**	**(13,160)**	**(7,767)**	**(11,600)**	**(47,050)**	**$ (21,700)**	**$ (14,286)**	**$ (7,311)**	**$ (1,484)**
Pretax income	**(5,868)**	**4,388**	**(2,281)**	**5,197.0**	**13,233.0**	**8,254.0**	**24,403**	**11,185**	**21,851.0**	**28,823**	**18,470**	**80,329**	**$ 115,111**	**$ 138,706**	**$ 167,498**	**$ 195,896**
Income tax (expense) benefit	2,157	(1,653)	844	(1,923)	(4,896)	(3,054)	(9,029)	(4,138)	(8,085)	(10,665)	(6,834)	(29,722)	$ (41,440)	$ (47,160)	$ (55,274)	$ (62,687)
Adjusted Net Income (excluding SBC)	**(3,711)**	**2,735**	*(1,437)*	*3,274*	*8,337*	*5,200*	**15,374**	7,047	13,766	18,158	11,636	**50,607**	**$ 73,671**	**$ 91,546**	**$ 112,224**	**$ 133,209**
Adjusted EPS (excluding SBC)	$ (0.08)	$ 0.05	*$ (0.03)*	*$ 0.06*	*$ 0.16*	*$ 0.10*	**$ 0.30**	$ 0.14	$ 0.26	$ 0.35	$ 0.20	**$ 0.94**	**$ 1.15**	**$ 1.42**	**$ 1.74**	**$ 2.05**
Adjusted Net Income (including SBC)	*$ (4,455)*	$ 1,988	*$ (1,661)*	*$ 3,045*	*$ 8,253*	*$ 4,213*	**$ 13,850**	*$ 6,712*	*$ 13,203*	*$ 17,603*	*$ 11,031*	**$ 48,550**	**$ 71,230**	**$ 88,767**	**$ 107,802**	**$ 128,041**
Adjusted EPS (including SBC)	$ (0.10)	$ 0.04	*$ (0.03)*	*$ 0.06*	*$ 0.16*	*$ 0.08*	**$ 0.27**	*$ 0.13*	*$ 0.25*	*$ 0.34*	*$ 0.19*	**$ 0.90**	**$ 1.11**	**$ 1.38**	**$ 1.67**	**$ 1.97**
As reported EPS	$ (1.36)	$ (1.13)	*$ (0.32)*	*$ (0.20)*	*$ (0.02)*	*$ (0.25)*	**$ (0.80)**	$ (0.03)	$ 0.29	$ 0.24	$ (0.79)	**$ (0.38)**	**$ 0.95**	**$ 1.27**	**$ 1.68**	**$ 2.04**
Diluted Class A common shares outstanding (in thousands)	*43,874*	*52,228*	*52,008*	*52,078*	*52,044*	*52,003*	*52,033*	*51,947*	*52,185*	*52,514*	***59,189***	*53,959*	*63,992*	*64,312*	*64,633*	*64,956*
Margin Analysis																
Gross margin	36.0%	32.8%	30.0%	33.1%	35.6%	35.7%	33.7%	34.6%	35.7%	37.6%	35.7%	36.0%	35.3%	35.3%	35.4%	35.6%
SG&A	21.3%	18.5%	18.2%	17.8%	16.2%	19.5%	17.9%	17.3%	16.5%	18.2%	18.7%	17.7%	17.7%	17.5%	17.2%	17.1%
Adjusted EBITDA (excluding sbc)	15.0%	14.6%	12.0%	15.6%	19.5%	17.1%	16.2%	17.6%	19.7%	19.9%	17.5%	18.7%	18.0%	18.3%	18.8%	19.1%
Adjusted EBITDA (including sbc)	**14.7%**	**14.4%**	**11.8%**	**15.3%**	**19.4%**	**16.2%**	**15.8%**	**17.4%**	**19.2%**	**19.5%**	**17.0%**	**18.3%**	**17.6%**	**17.8%**	**18.2%**	**18.5%**
Depreciation	3.6%	3.4%	3.0%	3.0%	2.8%	3.0%	2.9%	3.7%	2.5%	2.3%	3.0%	2.8%	2.6%	2.6%	2.6%	2.4%
EBITA	**11.4%**	**11.1%**	**9.1%**	**12.6%**	**16.7%**	**14.1%**	**13.2%**	**13.9%**	**17.2%**	**17.6%**	**14.5%**	**15.8%**	**15.4%**	**15.6%**	**16.2%**	**16.7%**
Tax rate	36.8%	37.7%	37.0%	37.0%	37.0%	37.0%	37.0%	37.0%	37.0%	37.0%	37.0%	37.0%	36.0%	34.0%	33.0%	32.0%
Net Income	**-0.8%**	**0.5%**	**-1.0%**	**2.1%**	**4.9%**	**3.0%**	**2.4%**	**3.8%**	**6.8%**	**8.7%**	**5.6%**	**6.3%**	**8.3%**	**9.4%**	**10.4%**	**11.3%**
Growth metrics																
Total Revenue		**32.5%**	**5.7%**	**12.1%**	**17.9%**	**14.6%**	**12.7%**	**23.3%**	**27.9%**	**22.9%**	**19.3%**	**23.2%**	**10.6%**	**10.02%**	**10.0%**	**9.5%**
Constant currency growth		*34.7%*	*5.7%*	*11.9%*	*17.3%*	*14.1%*	*12.3%*	*22.7%*	*26.6%*							
Cost of goods sold		39.0%	9.5%	10.5%	12.1%	12.3%	11.1%	15.3%	22.8%	19.0%	19.3%	19.1%	11.8%	10.0%	9.8%	9.2%
Gross profit		20.9%	-2.1%	15.6%	30.0%	19.2%	15.8%	42.2%	38.0%	29.9%	19.2%	31.3%	8.5%	10.1%	10.3%	10.1%
SG&A		15.2%	-8.7%	7.1%	4.6%	39.3%	9.4%	16.8%	18.7%	37.7%	14.3%	21.4%	10.9%	8.5%	8.4%	8.7%
Adjusted EBITDA		**28.9%**	**10.6%**	**26.9%**	**61.8%**	**5.7%**	**25.1%**	**80.8%**	**61.7%**	**25.6%**	**21.7%**	**42.4%**	**6.5%**	**11.7%**	**13.2%**	**11.6%**
Depreciation		26.8%	-19.0%	-7.5%	-3.0%	18.8%	-3.7%	54.5%	5.6%	0.1%	19.0%	19.2%	1.1%	11.0%	7.0%	3.1%
EBITA		29.5%	25.6%	39.2%	82.2%	3.3%	34.0%	89.4%	75.1%	29.9%	22.2%	47.5%	7.4%	11.8%	14.3%	12.9%
Net Income		-173.7%	-36.4%	-296.4%	334.4%	9.7%	462.1%	-590.4%	320.5%	117.8%	123.8%	229.2%	45.6%	24.3%	22.6%	18.7%
EPS		**-161.9%**	**-36.4%**	**-296.4%**	**334.4%**	**9.7%**	**464.2%**	**-590.4%**	**320.5%**	**117.8%**	**123.8%**	**217.4%**	**22.8%**	**23.6%**	**22.0%**	**18.1%**
Weighted average shares		19.0%	-0.5%	-0.4%	-0.5%	-0.2%	-0.4%	-0.1%	0.2%	0.9%	13.8%	3.7%	18.6%	0.5%	0.5%	0.5%
EBITDA and Adjusted EBITDA																
Net (loss) income as reported	**(59,547)**	**(59,114)**	**(16,746)**	**(10,634)**	**(1,170)**	**(12,980)**	**(41,530)**	**(1,552)**	**15,307**	**12,555**	**(46,682)**	**(20,372)**	**60,693**	**81,765**	**108,458**	**132,578**
Interest expense, net	65,482	62,007	14,817	14,772	14,769	16,131	60,489	15,901	12,823	12,903	62,000	103,627	21,700	19,200	7,311	1,484
Income tax (benefit) expense	(34,611)	(35,744)	1,264	618	1,051	7,916	10,849	1,609	(20,595)	2,417	(1,000)	(17,569)	7,600	11,600	32,000	33,200
Depreciation	15,700	19,915	4,446	4,758	4,730	5,241	19,175	6,869	5,025	4,734	6,238	22,866	23,128	25,666	27,451	28,290
Amortization	48,436	58,896	9,834	9,830	9,823	9,811	39,298	7,502	6,238	9,597	9,400	32,737	37,600	37,600	37,788	37,977
EBITDA	**35,460**	**45,960**	**$ 13,615**	**19,344**	**$ 29,203**	**26,119**	**88,281**	**$ 30,329**	**18,798**	**$ 42,206**	**29,956**	**121,289**	**150,721**	**$ 175,830**	**$ 213,008**	**$ 233,529**
Other expense (income)	(9,864)	(1,944)	1,035	30	175	213	1,453	(1,378)	337	(5,136)		(6,177)	-	-	-	-
Restructuring and other costs	27,839	35,380	2,368	4,778	3,104	1,578	11,828	758	2,417	2,951	2,100	8,226	4,000	-	-	-
Share-based compensation expense	1,176	1,248	355	364	134	1,566		531	893	881	960	3,265	3,815	4,210	6,600	7,600
Contingent consideration treated as compensation expense	1,540	1,867	153	99			252	153	205	285		643	-	-	-	-
Debt refinancing expenses	2,167	-	275		(30)		245	1,763			300	2,063	-	-	-	-
Business combinations transaction expense and expense for potential acquisitor	8,155	-	79			185	264	279				279	-	-	-	-
Monitoring and advisory fees	632	590	137	142	125	178	582	142	141	137	3,400	3,820	-	-	-	-
Loss (gain) on unconsolidated affiliates	(1,655)	(2,735)			196		196					-	-	-	-	-
Goodwill and intangibles impairment		4,000					-		17,245			17,245	-	-	-	-
rounding adjustment		-					-				(408)	(408)	1,403	(1,383)	(17,348)	(15,459)
Adjusted EBITDA	**65,450**	**84,366**	**$ 18,017**	**$ 24,757**	**$ 32,907**	**$ 29,839**	**105,520**	**$ 32,577**	**$ 40,036**	**$ 41,324**	**$ 36,308**	**150,245**	**159,939**	**$ 178,658**	**$ 202,260**	**$ 225,670**
Adjusted Net Income																
Net (loss) income as reported	**(59,547.0)**	**(59,114)**	**(16,746)**	**(10,634)**	**(1,170)**	**(12,980)**	**(41,530)**	**(1,552)**	**15,307**	**12,555**	**(46,682)**	**(20,372)**	**60,693**	**81,765**	**108,458**	**132,578**
Amortization	48,436	58,896	9,834	9,830	9,823	9,811	39,298	7,502	6,238	9,597	9,400	32,737	37,600	37,600	39,480	41,454
Restructuring expense	27,839	35,380	2,368	4,778	3,104	1,578	11,828	758	2,417	2,951	2,100	8,226	4,000	-	-	-
Share-based compensation expense	1,176	1,248	355	364	134	1,566	2,419	531	893	881	960	3,265				
Contingent consideration treated as compensation expense	1,540	1,867	153	99	-	-	252	153	205	285	-	643	-	-	-	-
Debt refinancing expenses	2,167	-	275	-	(30)	-	245	1,763	-	-	50,400	52,163	-	-	-	-
Business combinations transaction expense and expense for potential acquisitor	8,155	-	79	-	-	185	264	279	-	-	-	279	-	-	-	-
Monitoring and advisory fees	632	590	137	142	125	178	582	142	141	137	3,400	3,820	-	-	-	-
Loss (gain) on unconsolidated affiliates	(1,655)	(2,735)	-	-	196	-	196	-	-	-	-	-	-	-	-	-
Goodwill and intangibles impairment	-	4,000	-	-	-	-	-	-	17,245	-	-	17,245	-	-	-	-
Adjust income tax to normalized rate	(32,454)	(37,397)	2,108	(1,305)	(3,845)	4,862	1,820	(2,529)	(28,680)	(8,248)	(7,942)	(47,399)	(28,622)	(27,819)	(35,714)	(40,823)
Adjusted Net (Loss) Income	**(3,711)**	**2,735**	**$ (1,437)**	**$ 3,274**	**$ 8,337**	**$ 5,200**	**15,374**	**$ 7,047**	**$ 13,766**	**$ 18,158**	**$ 11,636**	**50,607**	**73,671**	**$ 91,546**	**$ 112,224**	**$ 133,209**
Adjusted EPS	***$ (0.08)***	***$ 0.05***	***$ (0.03)***	***$ 0.06***	***$ 0.16***	***$ 0.10***	***$ 0.30***	***$ 0.14***	***$ 0.26***	***$ 0.35***	***$ 0.20***	***$ 0.94***	***$ 1.15***	***$ 1.42***	***$ 1.74***	***$ 2.05***

Sources: Company reports and William Blair & Company, L.L.C. estimates

Exhibit 46
INC Research Holdings, Inc.
Balance Sheet

	2012	2013	Q1'14	Q2'14	Q3'14	Q4'14E	2014E	2015E	2016E	2017E	2018E
ASSETS											
Cash & cash equivalents	81,363	96,972			185,803	107,955	107,955	127,722	138,430	35,894	62,859
Restricted cash	1,051	569			539	539	539	539	539	539	539
Accounts receivable	227,265	228,835			237,808	246,628	246,628	280,157	351,803	390,079	430,526
Current portion of deferred income taxes	8,988	14,378			14,667	14,667	14,667	14,667	14,667	14,667	14,667
Prepaid expenses and other current assets	35,688	35,428			39,802	39,802	39,802	44,000	49,720	56,184	63,487
Total current assets	**354,355**	**376,182**		**-**	**478,619**	**409,592**	**409,592**	**467,085**	**555,159**	**497,363**	**572,079**
PPE, net	42,196	40,947			41,515	42,274	42,274	45,011	47,834	50,360	51,861
Goodwill	565,118	563,365			556,336	557,727	557,727	557,727	557,727	557,727	557,727
Intangible assets, net	270,688	231,051			200,051	190,651	190,651	153,051	115,451	77,663	39,686
Deferred income taxes, less current portion	4,751	3,780			25,491	25,618	25,618	26,135	26,661	27,199	27,747
Other long-term assets	20,546	17,786			14,029	14,029	14,029	14,029	14,029	14,029	14,029
Total assets	**1,257,654**	**1,233,111**		**-**	**1,316,041**	**1,239,891**	**1,239,891**	**1,263,037**	**1,316,862**	**1,224,340**	**1,263,128**
LIABILITIES AND SHAREHOLDERS' EQUITY											
Accounts payable	17,138	9,594			15,221	14,855	14,855	21,511	43,702	43,998	39,297
Accrued liabilities	87,472	94,221			108,112	98,112	98,112	98,112	104,127	112,711	122,002
Deferred revenue	199,747	207,188			257,254	257,254	257,254	273,040	295,547	289,666	283,902
Current portion of LT debt and capital lease obligations	5,915	7,005			628	500	500	-	-	-	-
Total current liabilities	**310,272**	**318,008**		**-**	**381,215**	**370,721**	**370,721**	**392,663**	**443,377**	**446,375**	**445,200**
LT debt and capital lease obligations	588,271	587,474			587,777	421,677	421,677	367,477	287,477	87,477	-
Deferred income taxes	21,837	29,233			29,470	29,617	29,617	30,214	30,823	31,444	32,078
Other long-term liabilities	20,444	22,189			24,091	23,609	23,609	20,248	12,414	11,450	10,561
Total liabilities	**940,824**	**956,904**		**-**	**1,022,553**	**845,625**	**845,625**	**810,603**	**774,091**	**576,746**	**487,839**
Common stock	8,878	8,884			8,886	8,886	8,886	8,886	8,886	8,886	8,886
Additional paid-in capital	470,026	472,746			475,157	630,857	630,857	630,857	633,857	633,857	633,857
Treasury stock, at cost	(5,361)	(6,751)			(6,789)	(6,789)	(6,789)	(6,789)	(6,789)	(6,789)	(6,789)
Accumulated other comprehensive loss	(9,911)	(9,841)			(20,870)	(20,870)	(20,870)	(20,870)	(20,870)	(20,870)	(20,870)
Other	(146,802)	(188,831)			(162,896)	(217,818)	(217,818)	(159,649)	(72,313)	32,510	160,205
Total stockholders' equity	**316,830**	**276,207**		**-**	**293,488.0**	**394,266**	**394,266**	**452,435**	**542,771**	**647,594**	**775,289**
					-	-					

Sources: Company reports and William Blair & Company, L.L.C. estimates

Exhibit 47
INC Research Holdings, Inc.
Statement of Cash Flows

	2011	2012	2013	Q1'14	Q2'14	Q3'14	Q4'14E	2014E	2015E	2016E	2017E	2018E
Cash Flows From Operating Activities												
Net Income (loss)	**(59,547)**	**(59,114)**	**(41,529)**	**(1,552)**	**15,307**	**12,555**	**(46,682)**	**(20,372)**	**60,693**	**81,765**	**108,458**	**132,578**
Depreciation and amortization	64,136	78,811	58,473	14,371	11,263	14,331	15,638	**55,603**	61,134	63,467	65,708	66,751
Amortization of capitalized loan fees	11,824	5,165	7,073	1,606	1,606	1,606	750	**5,568**	3,000	3,000	3,000	3,000
Stock-based compensation	1,176	1,248	2,419	531	893	881	960	**3,265**	(3,815)	(4,210)	(6,600)	(7,600)
Allowance for doubtful accounts	1,090	777	77	937	937	937	200	**3,011**	800	800	800	800
Deferred income taxes	(36,508)	(45,195)	3,646	(7,411)	(7,411)	(7,411)	(1,000)	**(23,233)**	(4,000)	(1,000)	(1,000)	(1,000)
Foreign currency adjustments	(6,852)	(2,474)	409	(3,566)	(3,566)	(3,566)	(2,000)	**(12,697)**	(2,000)	(1,000)	(1,000)	(1,000)
Gain on purchase of equity affiliates	-	(2,735)	-					**-**	-	-	-	-
Impairment of goodwill	-	4,000	-	-	17,245	-	-	**17,245**	-	-	-	-
Loss on asset disposals	113	3,404	477	129	129	129		**388**	-	-	-	-
Other	1,029							**-**	-	-	-	-
Changes in operating assets and liabilities	5,006	59,112	6,225	18,805	18,805	18,805	(19,314)	**37,102**	(15,246)	(26,113)	(41,203)	(48,388)
Net cash provided by operating activities	**(18,533)**	**42,999**	**37,270**	**23,851**	**55,209**	**38,268**	**(51,448)**	65,880	**100,566**	**116,709**	**128,164**	**145,142**
y/y growth			-13%					77%	53%	16%	10%	13%
Cash Flows From Investing Activities												
Acquisition of business, net of cash acquired	(364,907)	(3,383)	-	(767)	(767)	(767)		**(2,302)**	-	-	-	-
Purchase of PPE	(4,763)	(9,591)	(17,714)	(5,913)	(5,913)	(5,913)	(6,000)	**(23,739)**	(28,000)	(29,000)	(30,700)	(30,700)
Net cash used in investing activities	**(369,670)**	**(12,974)**	**(17,714)**	**(6,680)**	**(6,680)**	**(6,680)**	**(6,000)**	(26,041)	**(28,000)**	**(29,000)**	**(30,700)**	**(30,700)**
Cash Flows From Financing Activities												
Payments and proceeds from LT debt, net	568,104	(3,000)	(685)	(1,818)	(1,818)	(1,818)	(166,100)	**(171,553)**	(54,200)	(80,000)	(200,000)	(87,477)
Borrowing and repayments on revolving credit line, net	(300,173)	(7,000)	-					**-**	-	-	-	-
Payments of contingent consideration related to business combinations		(2,663)	(1,266)					**-**	-	-	-	-
Principal payments toward capital lease obligations	(1,117)	(3,420)	(3,307)	(818)	(818)	(818)	-	**(2,455)**	-	-	-	-
Proceeds from the issuance of common stock	162,345	375	-				155,700	**155,700**	-	-	-	-
Proceeds from the exercise of stock options		31	307	36	36	36	-	**108**	1,900	3,000	-	-
Other financing and dividends	(4,500)	(500)	(500)	(125)	(125)	(125)	(10,000)	**(10,375)**	(500)	-	-	-
Treasury stock repurchases	(2,606)	(2,755)	(1,390)	(13)	(13)	(13)	-	**(38)**	-	-	-	-
Net cash provided by (used in) financing activities	**422,053**	**(18,932)**	**(6,841)**	**(2,738)**	**(2,738)**	**(2,738)**	**(20,400)**	(28,613)	**(52,800)**	**(77,000)**	**(200,000)**	**(87,477)**
Effect of exchange rate changes on cash and cash equivalents	(3,627)	(690)	2,894	(81)	(81)	(81)		**-243**	0	0	0	0
Beginning cash position	**40,737**	**70,960**	**81,363**	**96,972**	**111,324**	**157,034**	**185,803**	96,972	**107,955**	**127,722**	**138,430**	**35,894**
Change in cash	30,223	10,403	15,609	**14,352**	**45,710**	**28,769**	**(77,848)**	10,983	19,766	10,709	(102,536)	26,965
Ending Cash position	**70,960**	**81,363**	**96,972**	**111,324**	**157,034**	**185,803**	**107,955**	107,955	**127,722**	**138,430**	**35,894**	**62,859**
Free Cash Flow	**(23,296)**	**33,408**	**19,556**	17,938	49,296	32,355	(57,448)	**42,141**	**72,566**	**87,709**	**97,464**	**114,442**
y/y growth		NM	-41.5%					115.5%	72.2%	20.9%	11.1%	17.4%

Sources: Company reports and William Blair & Company, L.L.C. estimates

$ 1.14

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DJIA:	17,828.24
S&P 500:	2,067.56
NASDAQ:	4,791.63

The prices of the common stock of other public companies mentioned in this report follow:

Albany Molecular Research Inc.	$16.27
Catalent, Inc. (Outperform)	$28.79
Charles River Laboratories International, Inc. (Market Perform)	$64.75
Covance Inc. (Market Perform)	$102.62
ICON plc (Outperform)	$55.54
IMS Health Holdings, Inc. (Outperform)	$25.00
Laboratory Corporation of America Holdings (Outperform)	$104.64
PAREXEL International Corporation (Outperform)	$58.51
PRA Health Services, Inc.	$21.84
Quintiles Transnational Holdings Inc. (Outperform)	$57.82
WuXi PharmaTech Inc. (Outperform)	$34.31

Current Ratings Distribution (as of 11/30/14)

Coverage Universe	Percent	Inv. Banking Relationships*	Percent
Outperform (Buy)	64%	Outperform (Buy)	16%
Market Perform (Hold)	31%	Market Perform (Hold)	3%
Underperform (Sell)	1%	Underperform (Sell)	0%

* Percentage of companies in each rating category that are investment banking clients, defined as companies for which William Blair has received compensation for investment banking services within the past 12 months.

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