INC Research Holdings, Inc.:

INCR: Premium Growth Play in the CRO Space

KeyBanc Capital Markets Inc.
Member NYSE/FINRA/SIPC

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Rating	HOLD
Price	$25.51
12- Mo. Price Target	NA
Dividend	$0.00
Yield	0.0%
52- Wk. Range	$20 - $27
Trading Volume (000)	294
Market Cap. (mm)	$1,561.2
Shares Out. (mm)	61.20
Book Value/Share	$7.32

EPS (Net) Summary

FY Dec	2013A	2014E	2015E
1Q	(0.03)	0.14A	0.29
2Q	0.06	0.26A	0.29
3Q	0.16	0.35A	0.30
4Q	0.10	0.21	0.31
YEAR	0.30	0.96	1.19
First Call	- -	$0.88E	$1.20E

ACTION STATEMENT

We are initiating coverage of INC Research (INCR-NASDAQ) with a HOLD rating reflecting the balance of a strong 10%+ top-line growth profile with a premium valuation (~10.8x 2016 EBITDA; peer group: ~10.0x). Since its November 2014 IPO, INCR's shares have appreciated by 38% (peer group: 2%), so we think it is appropriate to be initially balanced on valuation and wait for a pull-back to consider becoming more bullish.

Also, **we are monitoring INCR's evolving relationship with two large clients: Otsuka Holdings (~14% of revenues) and Astellas Pharma (~12%).** In December 2014, Otsuka announced the acquisition of Avanir Pharmaceuticals, which we think could create new outsourcing opportunities for INCR. However, at the same time, INCR's three-year contract with Astellas is scheduled for renewal in April 2015.

KEY INVESTMENT POINTS

INC Research is a global contract research organization (CRO) providing clinical trial outsourcing for drug companies, health systems, governments and academic institutions. In our view, the Company is unique due to its therapeutic focus and thought leadership in central nervous system (CNS) disorders, oncology and other complex diseases (we estimate ~75% of revenues vs. peer group of ~50%).

Looking ahead, **we model INCR generating 10%+ revenue growth in 2015 and 2016, which is a substantial premium** to the other publicly- traded, late- stage CROs (average: ~8%). Our premium growth expectation reflects the Company's focus on high growth therapeutic verticals. INCR is further well aligned with the more rapidly growing small/mid- sized biopharmaceutical space (~43% of revenues), which has been the source of much of the new innovation (and R&D investment) in recent years.

However, **our outlook for EBITDA growth (~12% in 2016) is more in line.** We expect EBITDA growth to be unusually deflated at only ~6% in 2015 due to a difficult 2014 comp that included ~100 bps of EBITDA margin benefit (we estimate) from elevated change orders and incremental public company costs. Post- 2015, our models assume margin expansion to be limited to ~50 bps annually since INCR's margins are already ~200 bps above the peer group and the Company operates with a relatively variable cost structure (late- stage clinical trial services: ~96% of revenues).

VALUATION

INCR is trading at 10.8x our 2016 EBITDA estimate of $179 million, which is a ~8% premium to the CRO average of 10.0x. In our view, a premium valuation is appropriate given INCR's alignment with rapidly growing therapeutic and client verticals.

RISKS

INCR operates in a highly competitive environment, and growth is contingent on broader trends in global biopharmaceutical R&D spending and clinical trial outsourcing.

INVESTMENT SUMMMARY

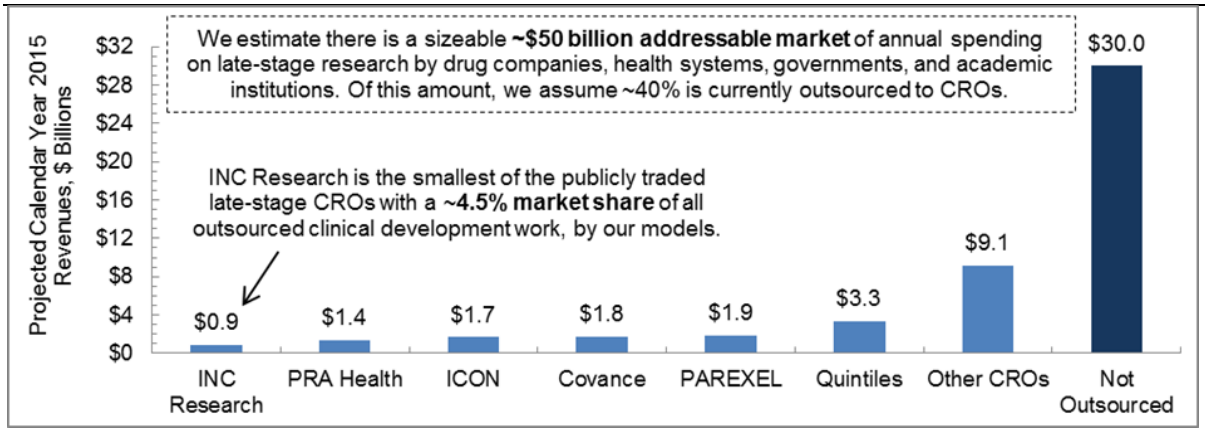
We are initiating coverage of INC Research Holdings, Inc. (INCR-NASDAQ) with a HOLD rating with the stock trading at 10.9x our 2016 adjusted EBITDA estimate of $179 million (consensus: $183 million). INC Research is a global contract research organization (CRO) providing outsourcing of late-stage clinical trials to drug companies. In our view, the Company is unique due to its therapeutic focus and thought leadership in central nervous system (CNS) disorders, oncology and other complex/emerging disease verticals (we estimate: ~75% of revenues). The Company completed an initial public offering (IPO) in November 2014, but remains closely held by private equity (~83%).

Looking ahead, **we expect INC Research to generate 10%+ organic revenue growth over each of the next three years,** driven by the favorable capital market environment for biopharmaceutical R&D spending and clinical trial outsourcing. In particular, R&D in CNS disorders and oncology has materially picked up over the past decade due to an increased understanding of genetics and personalized medicine. This plays directly to the Company's legacy therapeutic strengths. Also, INC Research is well aligned with the small/mid-sized biopharmaceutical space (~43% of revenues), which has been the source of much of the new innovation (and capital raises) in recent years. We think that it is reasonable to assume that both of these dynamics continue for the near/mid-term, allowing INC Research to experience sustained premium growth vs. the other publicly traded late-stage CROs (we estimate: ~8%).

However, **EBITDA growth will likely be limited to ~6% in 2015 and ~12% in 2016** (vs. CRO average of ~12%), by our models, despite premium revenue performance. INC Research's margins have significantly matured, and the Company already generates EBITDA margins ~200 basis points above the CRO average, by our estimates. Also, we anticipate EBITDA margins will decline by ~90 basis points in 2015 due to a difficult 2014 comparison that included ~100 basis points of non-recurring benefit (we estimate) associated with elevated change orders. Moreover, INC Research will face a contract renewal in 2015 with its second largest client (~12% of revenues), which may result in concessions. Post 2015, our models assume margin expansion to be capped at ~50 basis points annually due to the Company's highly variable cost structure. Unlike other CROs, INC Research does not offer central laboratory, information technology and/or preclinical services where there are more fixed and leverage-able cost structures.

Finally, **INC Research continues to carry a high debt burden (vs. some other CROs), despite the balance sheet improvements created by the IPO.** The Company will end 2014 with ~$298 million of net debt (R4Q net debt-to-EBITDA: ~2.0x), by our models, vs. the CRO average of ~2.1x. On the other hand, with limited capital spending and/or working capital needs, INC Research should be able to generate upward of ~$79 million of free cash flow in 2015, with low teens growth thereafter. Also, INC Research benefits from a relatively diverse client base, with its top five clients accounting for only 37% of net revenues. The revenue visibility to its largest client, **Otsuka Holdings** (~14% of revenues), has recently improved with Otsuka's just-announced acquisition of Avanir Pharmaceuticals.

Figure 1: INC Research Has Emerged as a Top 10 Late-Stage CRO Measured in Revenues



Note: For the purposes of the above comparisons, we excluded the informatics business at PAREXEL and the integrated health services segment at Quintiles. For Covance, we only used the late stage development segment.
Source: Company reports and KeyBanc Capital Markets Inc.

TRANFORMED BY ACQUISITIONS AND INITIAL PUBLIC OFFERING

**** Forward note: For a basic overview of the contract research organization market, refer to Appendix 2 ("Overview of and Outlook for the CRO Industry") and Appendix 3 ("The Biopharmaceutical Development Lifecycle"). ****

INC Research is a global contract research organization (CRO) providing outsourced clinical development services (mainly *Phase II* and *Phase III* clinical trials) for the biopharmaceutical industry. In our view, INC Research is unique because of its functional focus (i.e., only clinical studies) and its therapeutic focus [i.e., ~70% of revenues from central nervous system disorders (CNS) and oncology]. The Company is headquartered in Raleigh, NC, and employs ~5,500 employees (~57% outside of the United States). By our models, INC Research is on pace to generate $892 billion of net services revenue and $159 million of adjusted EBITDA in 2015. Refer to Figure 2.

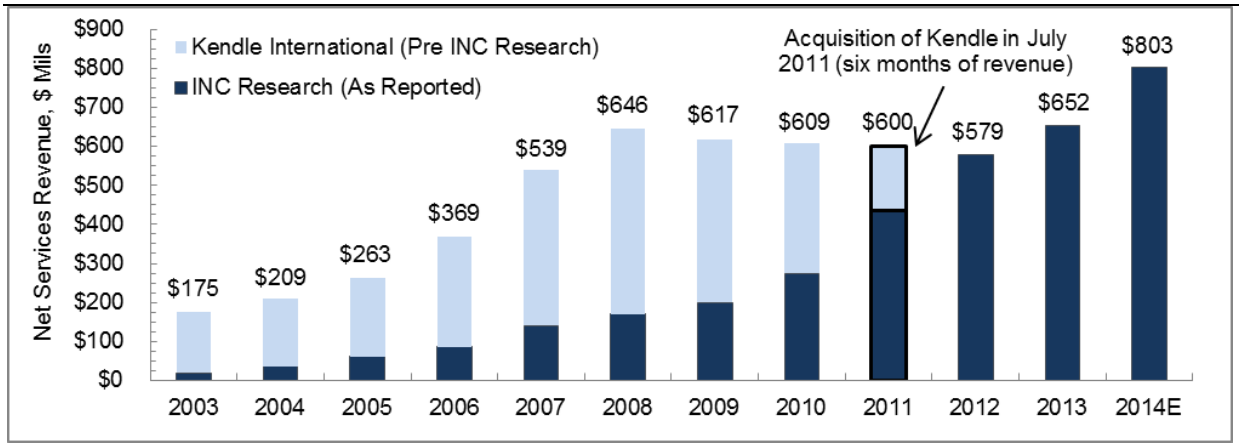
Figure 2: INC Research Positioned for Low Double-Digit Revenue Growth

	Fiscal (Calendar) Year Ended December						
$ in Millions	**2011**	**2012**	**2013**	**2014E**	**2015E**	**2016E**	**2017E**
Net Services Revenue	$437.0	$579.1	$652.4	$803.5	$891.6	$980.8	$1,078.8
Year-Over-Year Growth (%)	*58.9%*	*32.5%*	*12.7%*	*23.2%*	*11.0%*	*10.0%*	*10.0%*
Organic Growth, Estimated (%)	*8.8%*	*-3.5%*	*12.5%*	*22.7%*	*10.8%*	*10.0%*	*10.0%*
Adjusted Operating EBITDA	$65.5	$84.4	$105.5	$149.9	$158.7	$179.4	$202.8
Year-Over-Year Growth (%)	*n/a*	*28.9%*	*25.1%*	*42.1%*	*5.8%*	*13.1%*	*13.0%*
Adjusted EBITDA Margin	*15.0%*	*14.6%*	*16.2%*	*18.7%*	*17.8%*	*18.3%*	*18.8%*
Interest Expense	$65.6	$62.2	$60.8	$51.4	$21.1	$21.1	$21.1
Adjusted Diluted EPS	($0.08)	$0.05	$0.30	$0.96	$1.19	$1.40	$1.65
Year-Over-Year Growth (%)	*n/a*	*-162.3%*	*460.6%*	*224.0%*	*24.0%*	*17.7%*	*18.0%*

Note: INC Research adds back stock compensation expense to calculate adjusted EBITDA and EPS.
Source: Company reports and KeyBanc Capital Markets Inc.

INC Research originated in the 1980s as the academic CNS research arm of the Brain Injury Research Program at the University of Virginia. In 1999, it joined with the Integrated Neuroscience Consortium (an association of CNS researchers) to offer specialized CNS clinical trial design and execution services in the United States. The combination was named "INC Research". INC Research subsequently expanded organically and by acquisition over the next decade to offer late-stage clinical development services globally across a much broader continuum of therapeutic areas. Although still widely known for its CNS capabilities, INC Research has grown to be regarded in oncology, infectious diseases, immunology and pediatrics, among other complex areas.

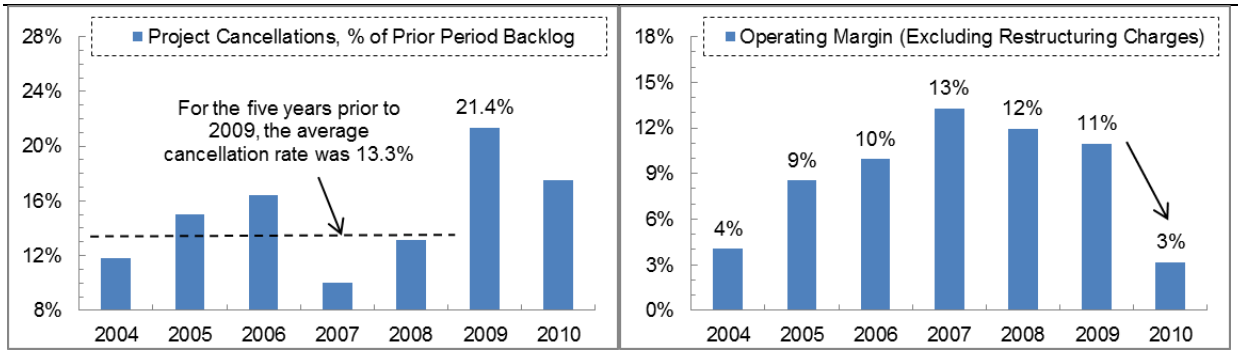
Figure 3: Transformational Acquisition of Kendle International (July 2011)



Source: Company reports and KeyBanc Capital Markets Inc.

Notably, INC Research gained much of its current global size and scale from two transformational acquisitions: 1) the late stage business of MDS Pharma Services in June 2009 (for ~$50 million); and 2) Kendle International, a diversified late-stage CRO, in July 2011 (for ~$377 million). Both of these companies were acquired in significant financial distress following the sharp slowdown in biopharmaceutical R&D spending that occurred in conjunction with the global capital market crisis of late 2008. INC Research was able to financially emerge from the capital market crisis relatively unscathed due to its secure private equity funding and its niche focus. Of note, Kendle had been publicly traded (KNDL-NASDAQ) with ~$330 million in annual revenue and ~3,000 employees. This acquisition more than doubled INC Research's revenue base and geographic footprint. Refer to Figures 3 and 4.

Figure 4: Kendle Reported Sharp Margin Deterioration Following 2008 Capital Market Crisis



Source: Kendle International SEC filings and KeyBanc Capital Markets Inc.

Looking ahead, we anticipate that management will continue to very deliberately develop INC Research's clinical and therapeutic expertise in new complex diseases and expand the Company's geographic footprint. Other functional areas that management has expressed interest in include late-phase/observational research, medical devices and analytic solutions. While most growth will be organic, we also expect opportunistic tuck-in acquisitions. Since INC Research was formed it has closed 12 acquisitions. Most recently, in March 2014 INC Research acquired MEK Consulting (for ~$4 million) to add presence in the Middle East and North Africa. We view MEK Consulting as representative of management's tuck-in acquisition strategy going forward. Refer to Figure 5.

Figure 5: Growth Accelerated Through a Series of Acquisitions ($ in Millions)

Year	Name of Acquisition	Price	Rationale of Acquisition
2001	Tanistry	n/a	Expanded CNS research capabilities
2002	Vajaklija	n/a	Enhances position in Central and Eastern Europe
2005	NDDO Oncology	n/a	Builds oncology capabilities and adds European presence
2006	Pharmaceutical Resource Corp	n/a	Observational pediatrics and footprint in North America
2007	Advanced Biologics	n/a	Adds capabilities in infectious diseases and vaccines
2007	GVK Biosciences (50% Equity)	0.8	Grows presence in India
2009	MDS Pharma Services	50.0	Multiple therapeutic capabilities and emerging markets
2011	AVOS Consulting	n/a	Strategic, operational, and financial consulting
2011	Trident Clinical Research	8.8	Grows presence in the Asia-Pacific
2011	Kendle International	377.3	Adds multiple therapeutical capabilities and global scale
2012	GVK Biosciences (100% Equity)	3.8	Grows presence in India
2014	MEK Consulting	4.0	Grows presence in the Middle East and North Africa

Source: Company reports and KeyBanc Capital Markets Inc.

Initial Public Offering and Balance Sheet Restructuring

In November 2014, INC Research completed an initial public offering (IPO) of 9.3 million shares (including 1.2 million shares purchased by the underwriters) at $18.50 per share (at the midpoint of the $17-$20 offering range), raising net proceeds of ~$158 million. Since then, the Company's share price has appreciated by 36% (vs. the CRO average: up

2%). Simultaneously, the Company restructured its $525 million bank credit agreement with improved terms (including a $425 million term loan and a $100 million revolving credit facility).

In our view, the primary purpose of the IPO and balance sheet restructuring was to create liquidity for the Company's two private equity owners: Avista Capital Partners and the Ontario Teachers' Pension Plan (OTPP). Both Avista and OTPP have been long-term shareholders since 2009. Also, the IPO and the new bank agreement funded the early retirement of an expensive $300 million (rule 144A) private placement of debt (11.5%) related to the Kendle acquisition (as well as $36.5 million of associated redemption premiums, make-whole interest and related fees). Net net, the IPO and debt restructuring resulted in $33 million of annual interest savings, by our calculations, translating to ~$18 million of incremental, aftertax free cash flow (at an assumed 37% tax rate). Refer to Figure 6.

Figure 6: IPO and Balance Sheet Restructuring Created Liquidity and Interest Savings ($ in Millions)

Initial Public Offering, Net of Fees	157.5	Retire 11.5% Private Placement (Plus Fees)	336.5
New Bank Term Loan Agreement	425.0	Retire Old Bank Term Loan Outstandings	291.0
New Bank Revolving Line of Credit (~$100 Million)	0.0	Redeem Class C and Class D Shares	3.4
Balance Sheet Cash	51.8	Terminate Advisory Agreement with Avista	3.4
Sources of Cash	**$634.3**	**Uses of Cash**	**$634.3**

Note: IPO proceeds included 1.2 million shares or ~$22.5 million from underwriters' option exercises and $15 million of fees. Also, the termination of the 11.5% private placement included ~$36.5 million of fees associated with early retirement.
Source: Company reports and KeyBanc Capital Markets Inc.

Finally, in conjunction with the IPO, INC Research redeemed $3.4 million of *Class C* and *Class D* shares that had existed prior to the IPO, and paid $3.4 million to Avista Capital Partners to terminate an advisory services agreement.

Figure 7: Ownership Remains Closely Held by Two Long-Term Private Equity Shareholders (~85%)

	Shares, Millions		Ownership, %		
Shareholders	**Pre-IPO**	**Post-IPO**	**Pre-IPO**	**Post-IPO**	
Avista Capital Partners (Private Investor)	26.0	26.0	50%	42%	Initial public offering of Class A shares
Ontario Teachers' Pension Plan (Private Investor)	24.9	24.9	48%	41%	
Executive Officers and Directors	1.1	1.1	2%	2%	
Other Investors	-	9.2	0%	**15%**	
Total Class A and Class B Shares	51.9	61.2	100%	100%	

Source: Company reports and KeyBanc Capital Markets Inc.

Post-IPO (and exercise of the underwriters' options), INC Research now has 61.2 million of *Class A* and *Class B* shares outstanding, of which 9.2 million (or ~15%) are owned by public investors. The remaining ownership (~85%) is concentrated in the hands of Avista Capital Partners and the OTPP for the near term. Also, James Ogle, the Company's Chairman of the Board of Directors (and former CEO until December 2012), owns ~423,000 shares (~0.7% ownership), and the management team, as a whole, owns ~566,000 shares (0.9%). Refer to Figure 7.

For practical purposes, the *Class A* and *Class B* shares have the same economic and voting rights on all matters put in front of the shareholders, except that the *Class B* shares are not allowed to vote on the election or removal of directors. To our knowledge, this share structure was designed for OTPP, which is a pension plan for a governmental entity in Canada and is not allowed to be involved in Board decisions. OTPP is the only owner of Class B shares.

A THERAPEUTICALLY AND FUNCTIONALLY FOCUSED CRO

INC Research reports its financial results in three operating segments: 1) *Clinical Development Services* (~95% of net services revenues); 2) *Phase I Services* (~4%); and 3) *Global Consulting* (~1%). Importantly, the Company is functionally focused on late-stage clinical research, and does not offer any preclinical, central laboratory or medical imaging services. Also, the Company uses third parties for its information technology systems, including Medidata Solutions (MDSO-NASDAQ). Refer to Figure 8.

- The *Clinical Development Services* segment (~95% of revenues) represents the Company's core work on late-stage (mainly *Phase II* and *Phase III*) clinical trials, as well as all related functional services such as clinical monitoring, investigator relations, patient recruitment, data management and study reports.
- The *Phase I Services* segment (~4%) includes services related to exploratory medicine, first-in-human and proof-of-concept studies. INC Research provides these services from a 90-bed clinic in Toronto, Canada.
- The *Global Consulting* segment (~1%) consists of regulatory affairs, pharmacovigilance, quality assurance audits and medical writing services.

Figure 8: Net Services Revenue and Profitability Reported in Three Operating Segments

	Fiscal (Calendar) Year Ended December						*3-Year*
$ in Millions	**2011**	**2012**	**2013**	**2014E**	**2015E**	**2016E**	***Fwd CAGR***
Clinical Development Services	426.1	552.8	620.9	770.1	856.6	944.0	*15.0%*
Phase I Services	10.1	21.6	23.3	24.7	25.9	27.2	*5.3%*
Global Consulting	0.8	4.7	8.2	8.6	9.1	9.5	*5.0%*
Net Services Revenue	$437.0	$579.1	$652.4	$803.5	$891.6	$980.8	*14.6%*
less: Direct Costs	(279.8)	(389.1)	(432.3)	(514.9)	(577.4)	(634.1)	
Clinical Development Services	157.0	182.8	208.8	276.5	301.6	333.4	*16.9%*
Phase I Services	0.6	6.6	9.3	9.9	10.4	10.9	*5.5%*
Global Consulting	(0.4)	0.7	2.1	2.2	2.3	2.4	*4.0%*
Contribution Profit	$157.2	$190.1	$220.2	$288.6	$314.2	$346.6	*16.3%*

Source: Company reports and KeyBanc Capital Markets Inc.

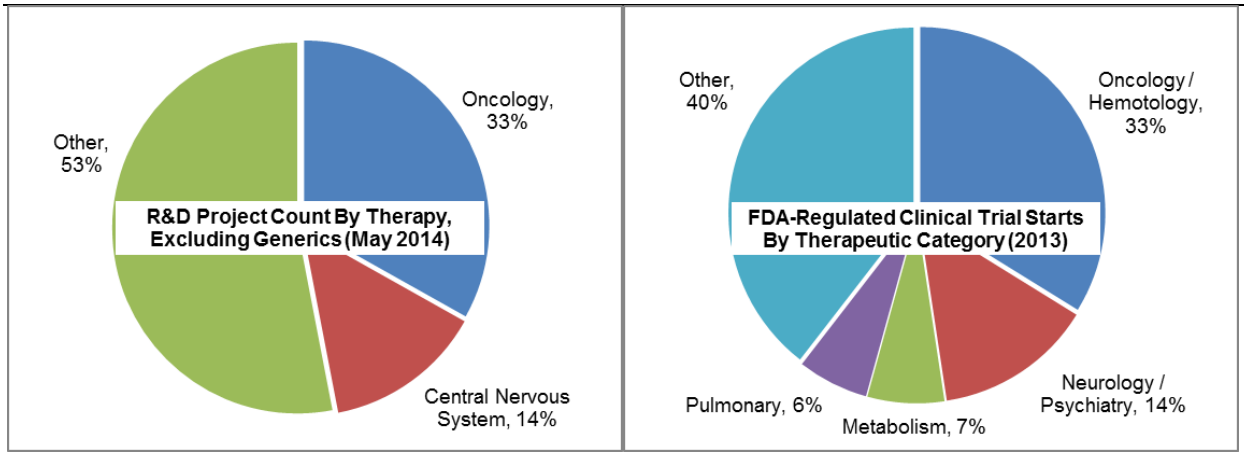
In our view, INC Research is differentiated from other CROs in three key respects: 1) its therapeutic focus on CNS and oncology (among other complex diseases); 2) its diverse clientele consisting disproportionately of small and mid-sized biopharmaceutical firms; and 3) its expanding global footprint (particularly with Japanese companies).

1) *Therapeutic Focus in High Growth Verticals.* INC Research is primarily differentiated by its therapeutic focus on CNS disorders and oncology. We estimate these two disease verticals account for ~two-thirds of backlog and revenues, and position the Company for outsized top line growth in the coming years, in our view.
2) *Diversified Client Base.* INC Research has a diverse clientele of ~300 biopharmaceutical firms with a high proportion of small/mid-cap drug companies. The Company's top five clients account for only 37% of net services revenue, which we consider to be a low level of revenue concentration for a late-stage CRO.
3) *Expanding Global Footprint.* Over the past three years, INC Research has significantly accelerated its presence in higher growth emerging markets through a series of acquisitions. This reduces the Company's exposure to potential consolidation in the United States and European biopharmaceutical industries.

1) Therapeutic Focus in High Growth Verticals

We consider INC Research to be primarily differentiated from other CROs by its therapeutic focus on CNS disorders and oncology. We believe clinical research (and interest) in CNS disorders and oncology has materially picked-up in recent years due to an increased understanding of genetics and personalized medicine. By our estimates, over two-thirds of INC Research's backlog currently consists of either CNS or oncology projects (vs. our estimate of less than 50% of all *Phase III* trials globally), and research in these two areas has accounted for almost all organic revenue growth over the past 24 months. Looking ahead, we think INC Research's therapeutic focus sets up the Company for outsized bookings and revenue growth in the coming years (vs. its CRO peers). Refer to Figure 9.

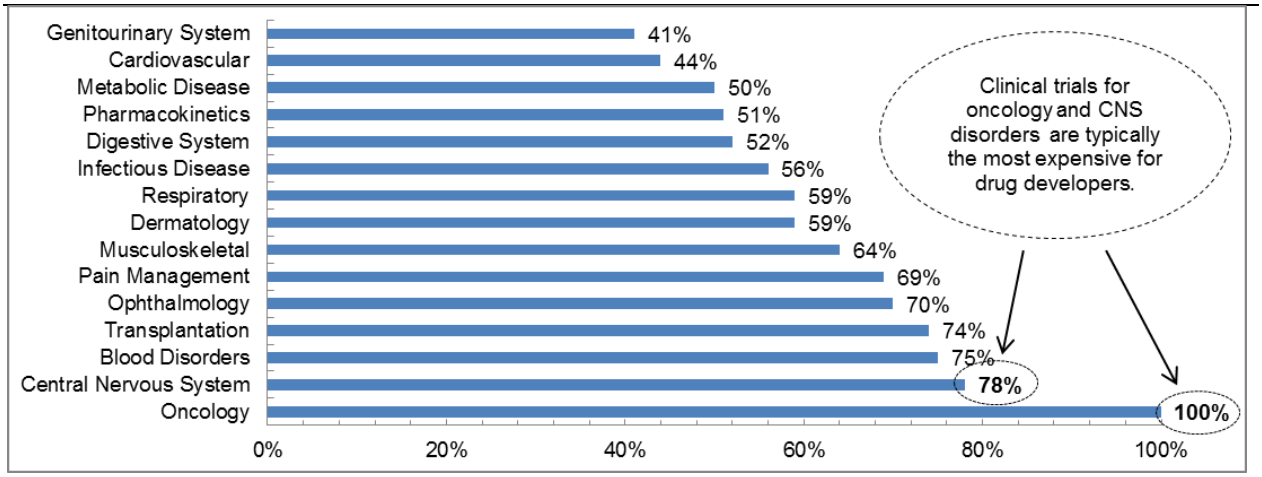
Figure 9: Cancer and CNS Together Account for Almost Half of R&D Projects and Clinical Trial Starts



Source: Federal Drug Administration and EvaluatePharma (May 1, 2014)

INC Research's focused approach starkly contrasts with other CROs that have focused on developing themselves into "one-stop-shop" service providers in order to win strategic partnerships with a concentrated number of large biopharmaceutical firms. For instance, at INC Research, over ~70% of clinical research associates (CRAs) are exclusively dedicated to a single therapeutic area. This results in considerably less staff flexibility (vs. the other CROs that emphasize multi-disciplined CRAs), but it also results in better collaboration with site investigators, which appears to be a thematic emphasis for INC Research. The argument here is that strong investigator relationships lead to greater protocol compliance, faster patient recruitment and improved patient retention. In fact, INC Research was recently ranked as the "Top CRO" in the *2013 CenterWatch Global Investigative Site Relationship Survey* with an average of 80.4% of "excellent" or "good" ratings across all attributes (median average: 72.7%).

Figure 10: Index of Median Cost / Patient in Clinical Trials by Therapeutic Category (Phase I to IV), 2012-2013



Note: Cost per patient is the total cost negotiated with an investigator to complete all protocol activities for a single patient. This includes procedures, personnel, travel, and overhead. Conditional procedures as well as site costs are not included. Source: IMS Health

Specifically, therapeutic expertise is particularly important for CNS and oncology site investigators because these studies can be logistically difficult and burdensome to execute. Similarly, for sponsors, the costs of *Phase III* studies in CNS and oncology are the highest of any therapeutic vertical on a per patient basis, according to *Pharmalot*, and *Phase I* trials in CNS have the widest range of costs per patient per month (average: $20,606), according to analysis by the *Journal for Clinical Studies*. These high costs likely reflect that CNS and oncology studies typically employ complex clinical protocols and require the retention of treatment-naïve and difficult patients. Refer to Figure 10.

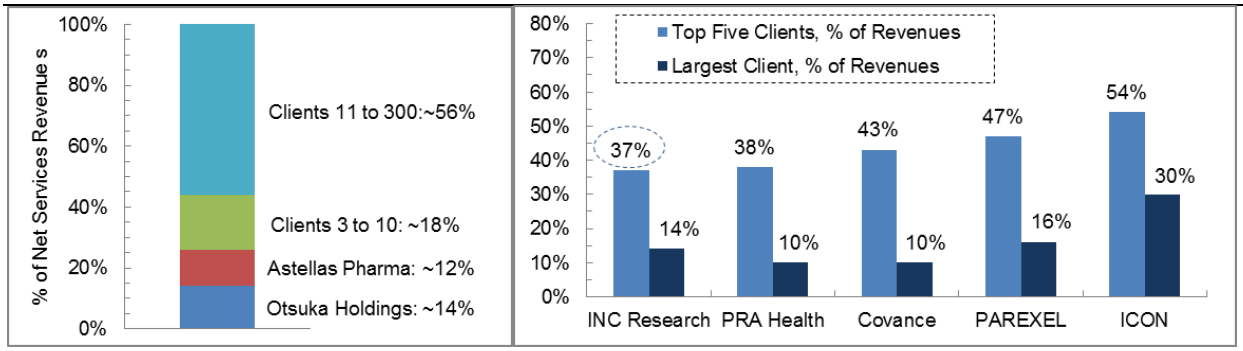
- Participants in CNS studies sometimes have cognitive issues and need extra assistance with initial-screening and informed consent, as well as with adherence to treatment plans. These studies also have subjective end points with no surrogate biomarkers. This subjectivity can lead to errors in measuring data and objectively proving statistical significance to regulators (and, importantly, payers).
- Oncology studies often involve sick and elderly patients with intercurrent illnesses and concomitant medicines. Also, dosing levels and frequency of treatment can result in dramatically differing outcomes due to the highly personalized nature of each individual's genetics. All of this complicates the analysis of clinical data. Finally, the retention of cancer patients can be difficult given the potential for very uncomfortable side effects of certain chemotherapies and other quality of life issues.

In 2006, INC Research developed its proprietary *Trusted Process* methodology, which standardizes processes and reduces operational risk in complex clinical trials. Using *Trusted Process*, INC Research reports that it has reduced the median study start-up time on new projects (defined as the period from finalized protocol to first patient enrolled) by 26% and improved overall operating efficiency. In 2013, 90% of the Company's new business awards were from repeat customers, and the Company's top10 clients have been clients for an average of six years.

2) Diverse Client Base (and Growing Footprint of Large Pharmaceutical Sponsors)

INC Research benefits from a diversified client base of ~300 biopharmaceutical sponsors with a high proportion of small/mid-sized firms (~43% of revenues). By contrast, we estimate the other publicly-traded CROs generate, on average, 20-30% of their revenues from small/mid-sized sponsors. As a result, the Company's top five clients account for only 37% of net service revenues (R4Q), including Otsuka Holdings (14%) and Astellas Pharmaceuticals (12%). In our view, this is a relatively low level of concentration for a late-stage CRO given that *Phase II* and *Phase III* clinical trials tend to produce "lumpy" revenue patterns. This compares to ICON plc (ICLR-NASDAQ; ~54%), PAREXEL International Corporation (PRXL-NASDAQ; ~47%) and Covance Inc. (CVD-NYSE; ~43%). Quintiles Transnational Holdings Inc. (Q-NYSE) has the most diverse client base, in our opinion. Refer to Figure 11.

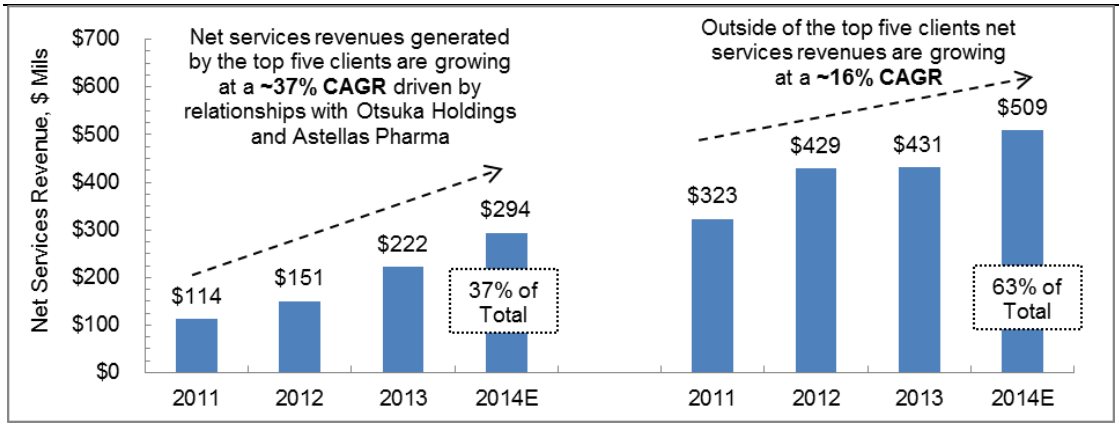
Figure 11: INC Research Has a Relatively Diverse Client Base for a Late-Stage CRO



Source: Company reports and KeyBanc Capital Markets Inc.

We expect INC Research's clientele to remain disproportionately oriented to small/mid-sized biopharmaceutical firms for the foreseeable future. However, the Company will likely see modest increases in client concentration over time due to its expanding service and geographic offerings. INC Research's newfound global footprint and breadth of services (post MDS and Kendle) has attracted business with larger, global biopharmaceutical firms, including several new preferred-provider, strategic partnerships. Specifically, management recently commented that revenues from large biopharmaceutical sponsors (i.e., the top 50 companies measured by annual drug revenue) grew by ~46% in 2013. This client concentration may increase gradually going forward, particularly given that INC Research's top 10 clients currently represent ~58% of its backlog (vs. ~44% of its net services revenues). Refer to Figure 12.

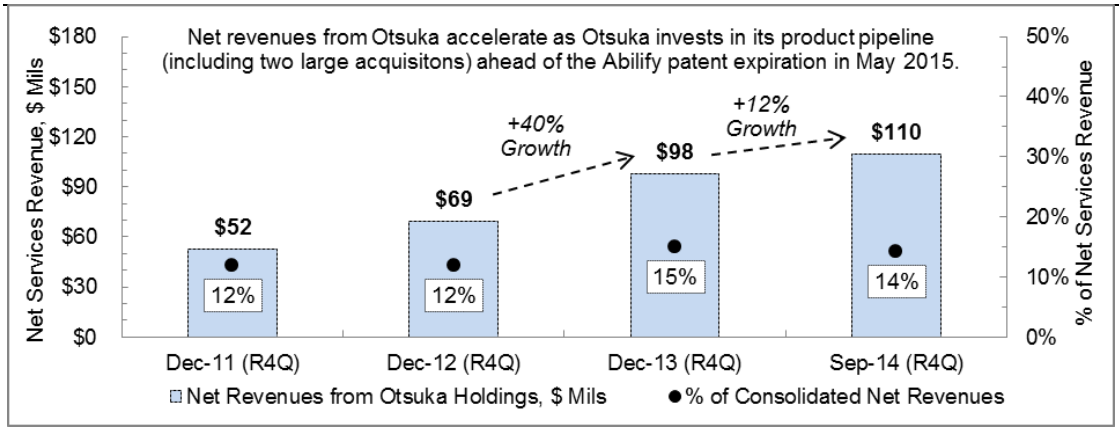
Figure 12: INC Research Is Solidifying Its Base of Large Biopharmaceutical Sponsors



Source: Company reports and KeyBanc Capital Markets Inc.

More specifically, we believe Otsuka Holdings (INC Research's largest client: ~14% of net revenues) will remain a strong client relationship for INC Research for some time. Otsuka is the second largest biopharmaceutical firm in Japan (measured in sales, behind Takeda Pharmaceuticals). In 2012, Otsuka strategically realigned its product development to position itself as the leading global drug developer for CNS disorders (particularly mental health) and oncology. Since then, Otsuka has been very acquisitive to expand its R&D pipeline ahead of the April 2015 patent expiration of its primary product, Ability® (aripiprazole), a drug for bipolar disorder and schizophrenia. Abilify® currently accounts for ~half of Otsuka's annual pharmaceutical revenue base (we estimate: ~$11 billion). In October 2013, Otsuka acquired Astex Pharmaceuticals to add pipeline of oncology/cancer, and in December 2014, Otsuka announced the acquisition of Avanir Pharmaceuticals to add pipeline in neurologic diseases. These two acquisitions complement Otsuka's recent strategic focus on CNS disorders and mental health, and will very likely create more outsourcing project work for INC Research in the coming years. Refer to Figure 13.

Figure 13: Otsuka Holdings to Remain a Growing Large, Global Biopharmaceutical Client for INC Research



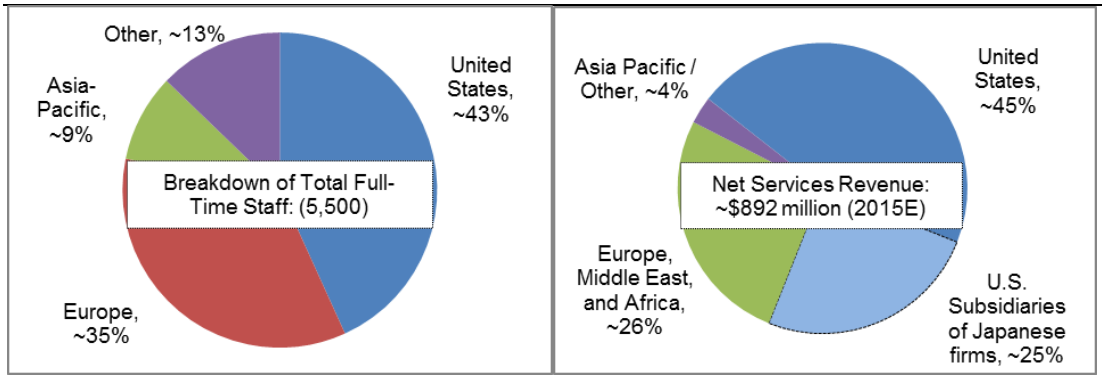
Source: Company reports and KeyBanc Capital Markets Inc.

Also, INC Research has a large functional services provider (FSP) arrangement with Astellas Pharma (the second largest client: ~12% of net revenues). The Company started work on this contract in April 2012, and it is a three-year arrangement that expires in April 2015. We fully anticipate this contract will be renewed (and possibly extended and expanded). However, we also think it is also reasonable to assume modest pricing pressure through the renegotiation process. Management does not discuss economics on specific deals, but did disclose that success is measured by specific operational milestones. Given that it is a FSP contract, we assume margins on the business may be modestly below the corporate average. Therefore, in our view, Astellas only likely represents ~10% (or less) of consolidated adjusted EBITDA (we estimate).

3) Expanding Global Footprint

In recent years, INC Research has significantly expanded its global presence with the acquisitions of Trident Clinical Research (June 2011), Kendle International (July 2011), GVK Biosciences (January 2012) and MEK Consulting (March 2014). In our view, these acquisitions have accelerated INC Research's relationships with local investigators and clinical research sites in the Asia-Pacific, Latin America, North Africa and the Middle East. Management will continue to build the Company's presence in important growth markets over time. Refer to Figure 14.

Figure 14: INC Research Is Growing to Become a Globally Diverse Late Stage CRO



Note: The Company reports that ~70% of its net services revenues are generated in the United States. However, a third of this reflects business with clients that are subsidiaries of Japanese firms (i.e., Otsuka Holdings and Astellas Pharma).
Source: Company reports and KeyBanc Capital Markets Inc.

With these acquisitions, INC Research can now claim itself to be a global CRO with a geographically diverse clientele and revenue in the United States, Europe and Asia. This reduces INC Research's exposure to potential consolidation in the more mature United States and European biopharmaceutical industries. It also sets up the Company in higher growth emerging markets (e.g., the Asia-Pacific). Biopharmaceutical research has become increasingly global as drug companies have sought to reduce the costs of clinical trials and accelerate patient recruitment (time-to-market) by accessing treatment-naïve patient populations without co-morbidities. Also, in some countries regulators require trials to include specific percentages or numbers of people from local populations.

In particular, INC Research has a disproportionally high footprint in the Japanese biopharmaceutical industry (~25% of net services revenues), including Otsuka Holdings (~14% of revenues) and Astellas Pharma (~12%). We view Japan is an important growth market that has only recently opened up to non-Japanese CROs. Historically, Japanese regulators would only consider clinical trials involving Japanese patients in the drug approval process. This led to long delays in patient recruitment and slowed the approval process. About five years ago, the Japanese government started to allow clinical trial data from other countries and accelerated the review process for priority products. We believe this is resulting in local biopharmaceutical firms both increasing their R&D spending and outsourcing more of their pipeline to non-Japanese CROs.

SUSTAINED ABOVE INDUSTRY REVENUE GROWTH

We model INC Research generating net services revenues of $892 million in 2015 (+11% YOY organic growth) and $981 million in 2016 (+10% growth) driven by the current favorable environment for drug development and clinical trial outsourcing. Also, INC Research is well aligned with the small and mid-cap biopharmaceutical space (~43% of revenues), which has been the source of much of the new innovation (and capital raises) in recent years. We think it is reasonable to assume that this continues for the near/mid-term. Finally, the Company is uniquely focused on high-growth, emerging therapeutic verticals such as CNS and oncology, among others. Together, we believe that these factors will facilitate sustained, above peer-group growth in the near/mid-term. Refer to Figure 15.

Figure 15: Organic Revenue Growth of 10%+ Driven by Macro And Company-Specific Factors

	Fiscal (Calendar) Year Ended December					
$ in Millions	**2011**	**2012**	**2013**	**2014E**	**2015E**	**2016E**
Net New Business (Bookings)	$449.3	$676.3	$814.2	$903.4	$1,002.8	$1,103.1
Year-Over-Year Growth (%)	*n/a*	*50.5%*	*20.4%*	*11.0%*	*11.0%*	*10.0%*
Backlog, Period End	1,221.6	1,320.5	1,490.8	1,568.4	1,679.5	1,801.8
Year-Over-Year Growth (%)	*n/a*	*8.1%*	*12.9%*	*5.2%*	*7.1%*	*7.3%*
Net Services Revenue	**$437.0**	**$579.1**	$652.4	$803.5	$891.6	$980.8
Year-Over-Year Growth (%)	*58.9%*	*32.5%*	*12.7%*	*23.2%*	*11.0%*	*10.0%*
	Acquisition of Kendle					
Adjusted EBITDA	**$65.5**	**$84.4**	**$105.5**	**$149.9**	**$158.7**	**$179.4**
Year-Over-Year Growth (%)	*n/a*	*28.9%*	*25.1%*	*42.1%*	*5.8%*	*13.1%*
Adjusted EBITDA Margin	*15.0%*	*14.6%*	*16.2%*	*18.7%*	*17.8%*	*18.3%*
		Integration of Kendle		Temporary Margin Pressure		
Adjusted Diluted EPS	($0.08)	$0.05	**$0.30**	**$0.96**	**$1.19**	$1.40
Year-Over-Year Growth (%)	*n/a*	*-162.3%*	*460.6%*	*224.0%*	*24.0%*	*17.7%*
			IPO and Debt Restructuring			

Source: Company reports and KeyBanc Capital Markets Inc.

However, INC Research's margins have significantly matured since the integration of the Kendle acquisition. For 2015, we assume adjusted EBITDA margins will decline by ~90 basis points vs. a difficult 2014 comparison that included a ~100 basis point non-recurring benefit (we estimate) associated with an elevated level of client change orders. Also, in April 2015, INC Research will face a sizeable contract renewal with its second largest client (Astellas Pharma: ~12% of revenues). This may require pricing concessions. Finally, we think it is reasonable to assume ~50 basis points of incremental margin pressure in 2015 due to the costs of now being a public company.

Beyond 2015 (in the mid-term), our models allow for only limited margin growth (i.e., ~50 basis points annually) given the variable cost structure of late-stage clinical research (mainly employee salaries and benefits), and the fact that INC Research is already operating with margins ~200 basis points its CRO peer group average. Also, unlike the other publicly traded CROs, INC Research does not offer central laboratory, technology or preclinical services where there are typically more fixed and leverage-able cost structures.

Sustainable Low Double-Digit Organic Revenue Growth in 2015 and 2016

We believe that 10%+ organic revenue growth in 2015 and 2016 is comfortably achievable given: 1) the positive macro environment benefiting all CROs; and 2) unique company-specific factors that will enable INC Research to outgrow its CRO peer group. From a macro perspective, we assume a ~6% baseline annual growth rate for CROs broadly in light of the favorable capital markets for biopharmaceutical R&D, as well as the increasing rate of outsourcing of *Phase II* and *Phase III* clinical trials. In total, we estimate that there is still is a sizeable ~$50 billion

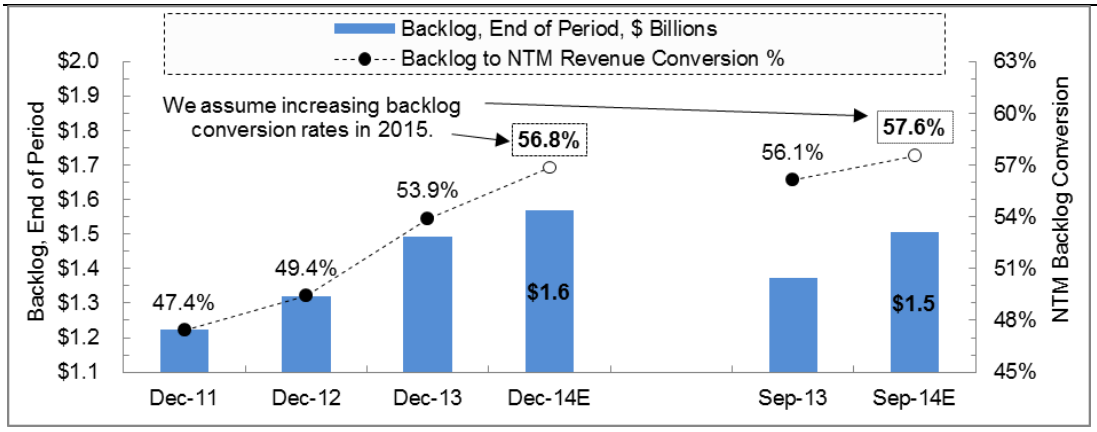
addressable market of late-stage R&D spending at drug companies, health systems, governments and academic institutions. Most of this spending is still not outsourced to CROs (~60%).

With respect to INC Research specifically, we think it is reasonable to assume that the Company can sustainably and significantly outgrow the baseline CRO industry growth due to: 1) market share gains (among small/mid-sized firms); and 2) the ongoing focus by the biopharmaceutical industry on CNS disorders and oncology therapies.

- 1) *Market Share Gains.* INC Research has a track record with small/mid-sized biopharmaceutical firms, which is the most rapidly growing source of new clinical research. Over the past two years, U.S. biotechnology companies raised over ~$20 billion in IPOs, which will ultimately translate to revenues for CROs. Moreover, small/mid-sized sponsors typically have limited infrastructure and outsource clinical development activities at greater rates. In fact, in reaction to this trend, both Quintiles and PAREXEL (competitors) recently launched business units specifically dedicated to this sub-market of clinical research.
- 2) *Therapeutic Focus.* INC Research is also a leading provider in the high growth therapeutic verticals of CNS and oncology. By our assumptions, CNS and oncology accounts for ~two-thirds of the Company's backlog and revenues, which is significantly above industry averages (we estimate: below 50%). In fact, management indicated that net revenue growth related to these disease areas was 21.3% in 2013 vs. consolidated growth of 12.7%. Also, qualitative commentary across both the CRO and biopharmaceutical spaces indicates that cancer, neurology, and infectious disease therapies continue to dominate the *Phase II* and *Phase III* pipelines.

Our outlook appears to be in line with recent backlog and bookings trends. INC Research reported ~$1.5 billion as of the end of September 2014 (+9.7% YOY), representing anticipated revenue from contracts, letters of intent and other written commitments. Of note, management conservatively only includes revenue in backlog if/when: 1) the project is appropriately funded; 2) the project is not contingent on another project; and 3) the project is expected to begin to generate revenues within one year. Also, revenues are only recognized as services are performed ("percentage of completion") in line with milestones specific to each project. Based on this, management has disclosed that ~$0.2 billion is expected to convert to revenue in 2014 and ~$0.7 billion in 2015. Refer to Figure 16.

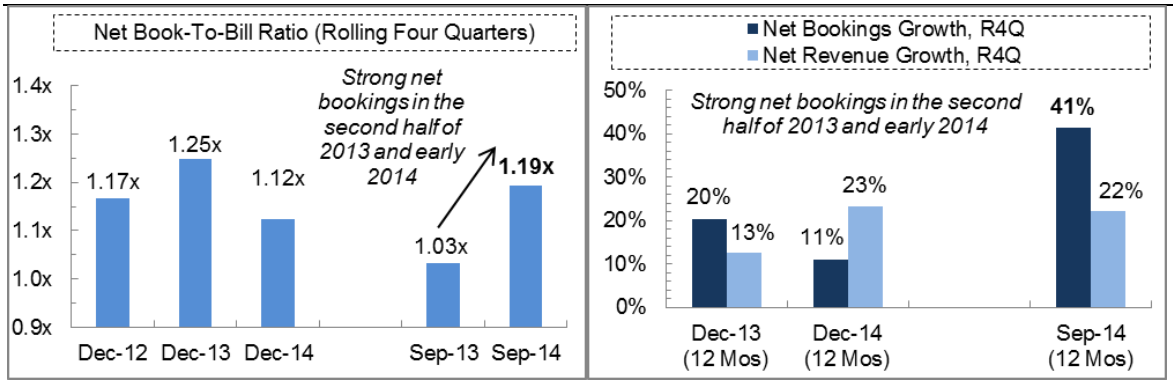
Figure 16: Near-Term Double-Digit Revenue Growth Driven by Accelerating Backlog Conversion



Source: Company reports and KeyBanc Capital Markets Inc.

We view backlog as the best leading indicator of near-term revenue performance—with two major caveats. 1) First, INC Research negotiates contracts on a project-by-project basis—e.g., based on the type of services, therapeutic indications and geographic locations, among other factors. This can result in backlog converting to reported revenue in an uneven/lumpy fashion. Many of these projects include *Phase II* and *Phase III* clinical trials that can last for several years. Other functional projects are shorter in duration. 2) Also, contracts allow for scope changes, delays and cancellations at the discretion of the sponsor (within 30 days of notice) or regulatory authority. Generally, we assume project cancellations in any given quarter to be 4-5% of prior period backlog, but this can vary greatly. For instance, backlog (and bookings) was materially negatively impacted in 2Q14 by a ~$132 million project cancellation (not performance related). This was the largest single contract cancellation in the Company's history.

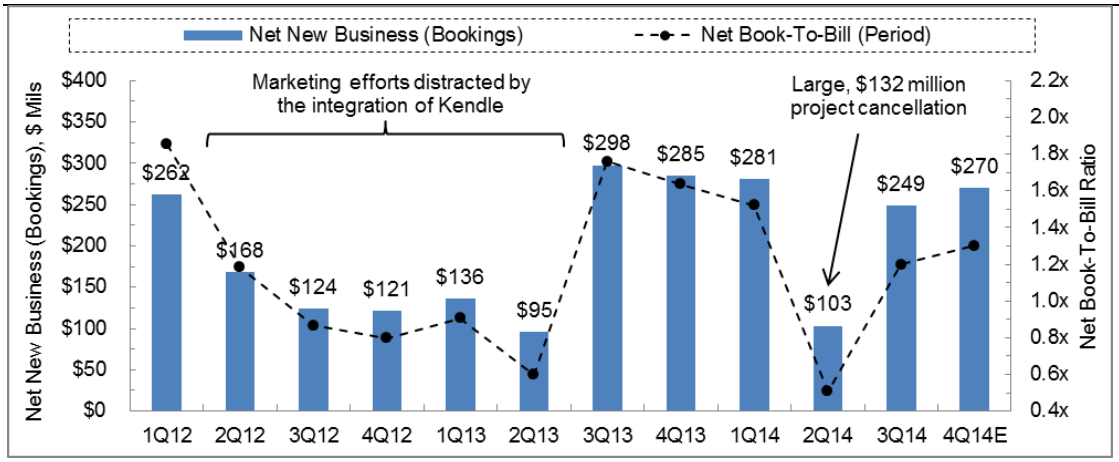
Figure 17: Net Book-to-Bill Has Averaged Close to 1.2x Since the Kendle Acquisition



Source: Company reports and KeyBanc Capital Markets Inc.

Recent bookings data also suggests a low-teens revenue growth outlook. INC Research reported a substantial pick-up in new project awards over the past year with net bookings growth of ~41% in 3Q14 (R4Q) and a net book-to-bill ratio of 1.19x in 3Q14 (R4Q) (vs 1.03x in the prior year). In fact, the Company's net book-to-bill has been at or above 1.20x in four of the last five quarters. Importantly, revenues tend to be back-end loaded in many clinical trials because management does not recognize revenue related to some clinical trial start-up activities (e.g., contract and scope negotiation, feasibility analysis and conflict of interest reviews). As such, the acceleration of bookings growth starting in late 2013 through 3Q14 should follow through to revenues in 2015 and 2016. Refer to Figures 17 and 18.

Figure 18: Volatile Quarterly Bookings Performance



Source: Company reports and KeyBanc Capital Markets Inc.

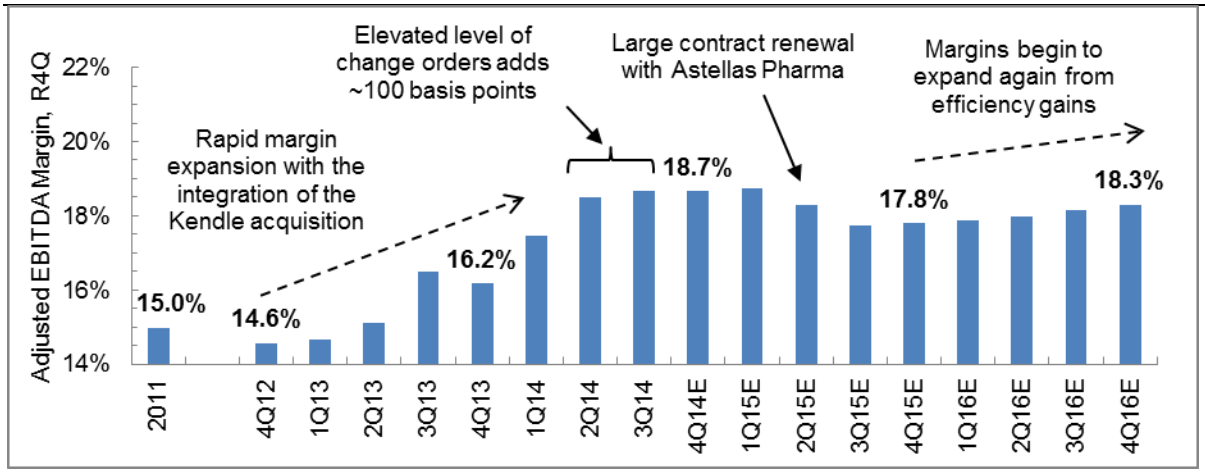
Long-Term Margin Upside, Despite Near-Term Pressures

We think that a *long-term* adjusted EBITDA margin target of 20% is achievable, although near-term margins may show limited improvement. In our opinion, the "value-add" and negotiating clout of the late-stage CRO will steadily increase over the next decade as clinical research becomes more "technology-enabled" (using tools such as cloud computing, big data and social media) and more aligned with the actual real-world economics of healthcare delivery. Also, the rise of genomics and personalized medicine coupled with adaptive clinical designs creates substantial new opportunity for researchers, but also new complexity. Over time, we expect that these factors will require more outsourcing to specialists and a greater "virtualization" of biopharmaceutical development.

However, near term, we expect adjusted EBITDA margins to settle lower from 18.7% in 2014 to 17.8% in 2015 and 18.3% in 2016. In our view, investors should assume limited baseline margin expansion (~50 basis points annually) in the near/mid-term since INC Research's margins are already at the high end of its peer group. Also, the Company is still a highly variable cost business. Margins in late-stage research are a function of staff utilization (minimizing the

use of third-party contract labor) since compensation still accounts for over ~70% of operating costs. Staff utilization can vary period to period based on the timing of start-ups, wind-downs, cancellations and change orders vs. management's ability to align staff in specific geographic and functional areas.

Figure 19: Margin Expansion to Temporarily Stall in 2015 and Re-Accelerate in 2016



Note: Adjusted EBITDA excludes stock compensation expense, restructurings and other non-recurring charges. We focus on adjusted EBITDA because this is the profitability metric that is used for executive incentive bonuses.
Source: Company reports and KeyBanc Capital Markets Inc.

Importantly, EBITDA margins will be specifically pressured in 2015 due to: 1) difficult comparisons against unusually elevated level of change orders in 2014; 2) a contract renewal with a major client; and 3) the incremental costs associated with being a public company. Refer to Figure 19 and 20.

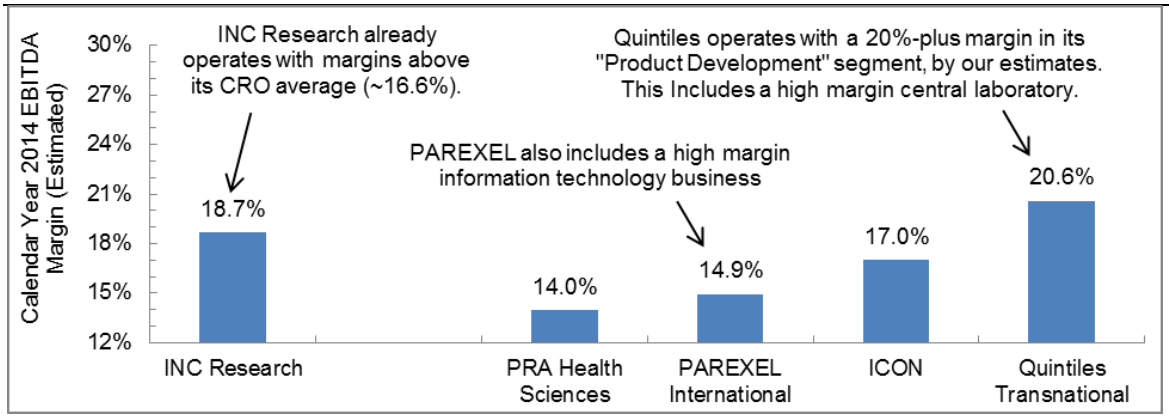
- *Normalized Change Orders (Negative).* INC Research's margins benefited by ~100 basis points in 2014 due to an elevated level of revenue associated with client change orders (~$9 million higher than normal). Revenues associated with change orders (project expansions) carry high incremental margins. Excluding these change orders, our outlook for 2015 implies ~10 basis points of EBITDA margin expansion.
- *Large Contract Renegotiation (Negative).* Management is in renegotiations for a large functional service provider (FSP) contract with Astellas Pharma (~$65 million of annual revenues) that is scheduled to mature in April 2015. Given the size of this relationship to INC Research (~12% of revenues), we think that it is possible that INC Research may choose to offer concessions or other pricing incentives to retain this client. For instance, a ~5% pricing concession would equate to ~80 basis points of EBITDA margin pressure in 2015 (~$0.03 of EPS).
- *Public Company Costs (Negative).* INC Research only just completed its IPO in November 2014. Our models assume ~$4 million of annual costs associated with being a publicly traded company (e.g., filing requirements, investor conferences, etc.). This represents ~50 basis points of EBITDA margin headwind in 2015.

Partially offsetting these margin pressures, we still see opportunities for efficiency gains in the areas of systems and facilities. Also, we expect modest margin upside as follow-through from the sharp increase in business awards (bookings) in late 2013 and in early 2014. Operating margins tend to be back-end loaded in many late-stage clinical trials. Management recognizes the costs of some clinical trial start-up activities as incurred (e.g., contract and scope negotiation, feasibility analysis and conflict of interest reviews), while the revenues are not recognized until specific milestones are achieved. Finally, INC Research operates a 90-bed *Phase I* clinic in Canada where there is a more fixed and leverage-able cost structure. However, this is a small portion of consolidated revenues (less than 4%), so it will unlikely have a material impact on consolidated margins.

As a final note, although we do not make currency assumptions in our model forecasts, INC Research's profitability does benefit from a stronger U.S. dollar, particularly against the Euro and the British pound. The Company's filings indicate that ~74% of its net revenues (in 2013) were contracted in U.S. dollars, while a lower proportion of expenses are (only 59%). Based on the most recent financial data, each 1% change in the relative value of the U.S. dollar (vs.

the basket of foreign currencies that the Company operates in) impacts pretax earnings by ~$1.7 million, or ~20 basis points as a percentage of revenues.

Figure 20: INC Research Generating Profit Margins at the High End of Its Peer Group Average

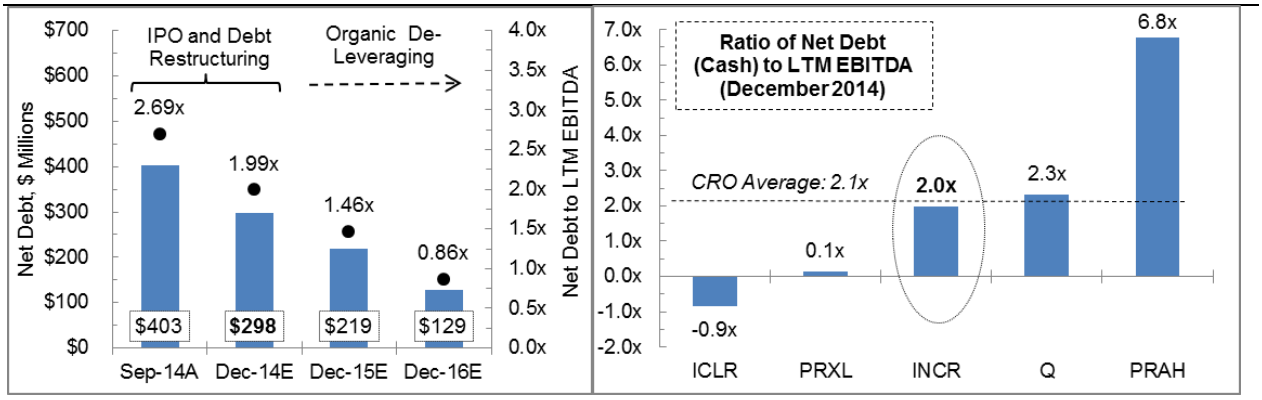


Note: The margins above reflect KBCM estimates, except for PRA Health Sciences, which reflects FirstCall consensus.
Source: FirstCall consensus and KeyBanc Capital Markets Inc.

Rapidly De-Leveraging Balance Sheet

INC Research has emerged with a much stronger balance sheet position following its IPO and debt restructuring. By our models, the Company will end 2014 with ~$298 million of net debt, including the $425 million bank term loan at 4.75% (offset by cash), implying a trailing net debt-to-EBITDA ratio of ~2.0x. Although this compares poorly to competitors ICON and PAREXEL, INC Research also benefits from a relatively diverse client base, with its top five clients representing only 37% of net service revenues. Moreover, with limited capital spending and/or working capital requirements, INC Research should be able to generate substantial free cash flow and rapidly de-leverage, as appropriate. Refer to Figure 21.

Figure 21: De-Leveraged Balance Sheet Post-IPO, but Still Only in Line with Peer Group Average



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

Specifically, we model INC Research generating ~$79 million (~$1.29 per share) of free cash flow in 2015, with low-teen growth thereafter (in line with adjusted EBITDA growth). Importantly, the IPO and balance sheet restructuring resulted in a sharply lower annual interest expense (from $51 million to $21 million), resulting in $20 million of incremental run-rate free cash flow (~$0.33). We expect this free cash flow will be used for accelerated debt reduction as well as tuck-in acquisitions and other growth investments in the business.

VALUATION: BALANCED RISK / REWARD

We are initiating coverage of INC Research with a **HOLD** rating with the stock trading at 10.9x our 2016 adjusted EBITDA estimate of $179 million (consensus: $183 million) and 18.2x our 2016 adjusted EPS estimate of $1.40 (consensus: $1.46). On an EBITDA basis, INC Research is trading at over an 8% premium to the CRO group average of 9.9x. We believe that this premium valuation is consistent with the Company's alignment with faster-growth and emerging therapeutic verticals. However, our EBITDA estimates are somewhat below consensus due to more cautious assumptions for near-term margin expansion. Ultimately, over time, we think that INC Research can comfortably achieve a 20% adjusted EBITDA margin. Refer to Figure 22.

Figure 22: INC Research Trading Valuations vs. Other Late-Stage CROs

	KBCM	Street	PRIMARY COMPARISONS (CROs)				
$ in Millions	**INCR**	**INCR**	**ICLR**	**PRAH**	**PRXL**	**Q**	**Avg**
Share Price	25.51	25.51	53.51	22.72	56.80	57.07	
x Diluted Share Count	61	61	63	57	56	131	
= Equity Valuation	$1,562	$1,562	$3,395	$1,301	$3,167	$7,455	
plus: Net Debt (Cash)	402	402	(249)	1,194	86	1,395	
= Enterprise Value	$1,964	$1,964	$3,146	$2,495	$3,253	$8,850	
Multiple of CY16 EBITDA	**10.9x**	**10.7x**	**9.5x**	**11.2x**	**8.5x**	**10.5x**	**9.9x**
Multiple of CY16 EPS	**18.2x**	**17.5x**	**14.6x**	**13.6x**	**16.6x**	**16.9x**	**15.4x**
Revenue Growth, CY16	10.0%	10.7%	8.9%	8.2%	7.8%	8.1%	8.2%
EBITDA Growth, CY16	13.1%	14.3%	11.9%	11.9%	12.9%	10.0%	11.7%
EPS Growth, CY16	17.7%	21.4%	13.1%	21.0%	17.6%	13.2%	16.2%

Note: Market values as of the close of business January 6, 2015.
Source: Company reports and KeyBanc Capital Markets Inc.

Of note, there are two mostly offsetting accounting issues when considering INC Research's valuation. Adjusting for both of these issues argues for a trading valuation that is slightly more attractive (i.e., 10.8x 2016 EV/EBITDA and 18.0x 2016 P/E). However, this is not material enough to impact our investment thesis. So, for discussion purposes, we simply refer to the reported multiples.

- *Tax Assets (Positive).* On the one hand, INC Research possesses a substantial tax loss carry-forwards ("NOLs"), including $191 million for U.S. federal taxes and $239 million for U.S. state taxes. That said, the use of these NOLs may be mitigated by Section 382 limitations (i.e., we assume they were gained through acquisitions), and will be applicable only to U.S. operations (which we assume is a declining portion of INC Research's revenue base). As such, we conservatively model a present value of these tax assets to be ~$60 million (~$1.00/share).
- *Stock Compensation (Negative).* On the other hand, INC Research is also the only publicly-traded CRO that adds back stock compensation expense to arrive at its adjusted EBITDA and adjusted EPS. This artificially deflates trading multiples when compared to the other public CROs.

Specific Factors That Will Impact Near-Term Valuation

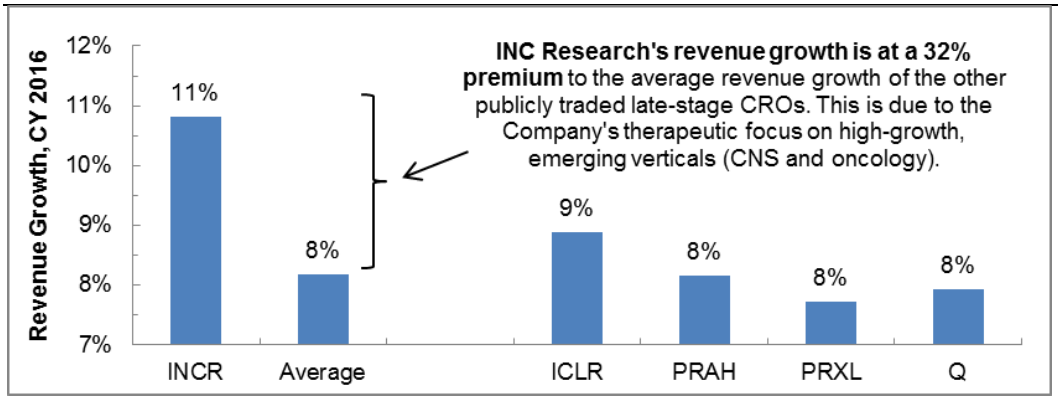
In our opinion, INC Research is a well-regarded CRO, and a global hub of thought leaders in CNS disorders and oncology research. However, the shares have traded up by 38% (vs CRO average: up 2%), suggesting that much of the optimism for the Company may already be priced in the stock. Also, in the near term, we think that there are lingering areas of caution: 1) *near-term EBITDA margin pressures*; 2) *bookings volatility*; 3) *elevated balance sheet debt*; and 4) *concentrated ownership*.

1. Near-Term EBITDA Margin Pressures

While INC Research provides investors with premium revenue growth (e.g., ~11% in 2016 vs. CRO average of ~8%), near-term EBITDA growth may be less impressive. The Company already generates EBITDA margins at the high end

of its peer group. Moreover, for 2015 we are modeling adjusted EBITDA growth of only ~6%, which is well below the CRO average of ~12%. This is mainly due to a difficult YOY comparison. In 2014 there was an inflated level of client change orders (2Q14 and 3Q14) that elevated EBITDA margins by ~100 basis points, by our estimates. Also, there is a sizable contract with Astellas Pharma (~10% of revenues) that is scheduled for renewal in April 2015. Depending on any concessions offered, this may temporarily pressure margin expansion in 2015 (and 2016).

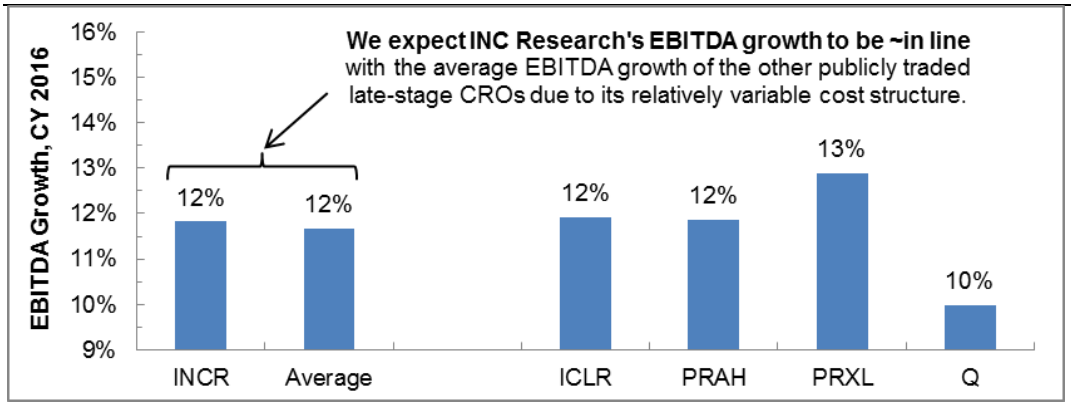
Figure 23: INC Research Generates Growth at a Significant Premium to Its CRO Peer Group…



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

For 2016 we project adjusted EBITDA growth reaccelerating to ~12%, in line with the average EBITDA growth of other publicly -traded CROs. Beyond the synergies of the Kendle acquisition and one-time change order benefits, we consider INC Research to have the most variable cost business model of the publicly traded CROs. This will mitigate any operating leverage generated by the Company's premium revenue growth. INC Research is functionally focused entirely on late stage clinical studies, and does not offer central laboratory, information technology and/or preclinical services where there are more fixed and leverage-able cost structures. Refer to Figures 23 and 24.

Figure 24: … However, We Expect EBITDA Growth to Be in Line with the CRO Peer Group



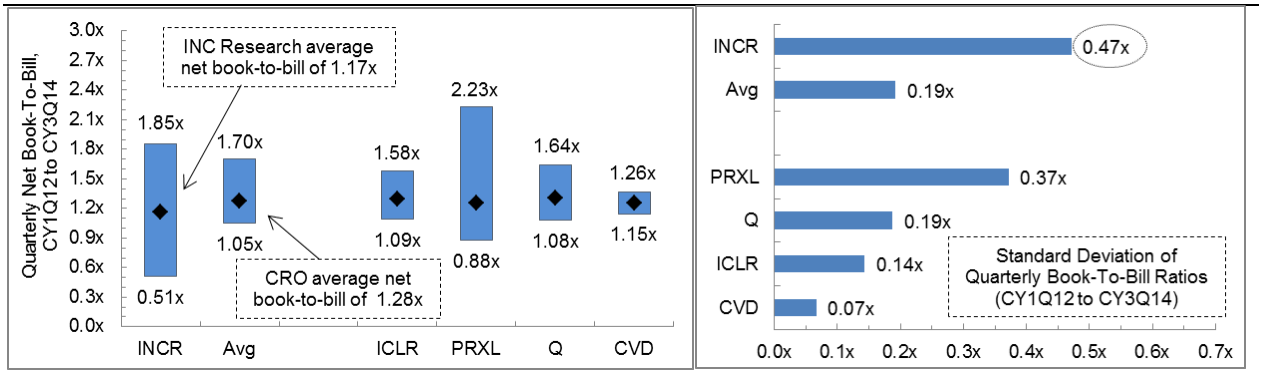
Note: The margins above reflect KBCM estimates, except for PRAH, which reflects FirstCall consensus.
Source: Company reports and KeyBanc Capital Markets Inc.

2. Bookings Volatility

We anticipate that INC Research's quarterly bookings performance will be relatively volatile (vs. the other CROs) due to its small size, therapeutic focus and exposure to the small/mid-cap biopharmaceutical space. Also, the Company has a limited track record of only 11 quarters for investors to get comfortable with. The Company's average net book-to-bill ratio over this period was ~1.17x (CRO average: 1.28x), which is consistent with a low double-digit revenue growth rate. However, there have been five quarters in which the Company's book-to-bill fell below 1.0x, including 2Q14 when the book-to-bill ratio reached as low as 0.51x (due to a very large project cancellation). Only PAREXEL

has reported a book-to-bill of below 1.0x over this 11-quarter period (0.9x in CY3Q13 and 0.9x in CY3Q14), while neither ICON or Quintiles, nor Covance, have seen a sub-1.0x quarterly book-to-bill once. Refer to Figure 25.

Figure 25: INC Research Has Experienced Significant Bookings Volatility Over Its Reported History



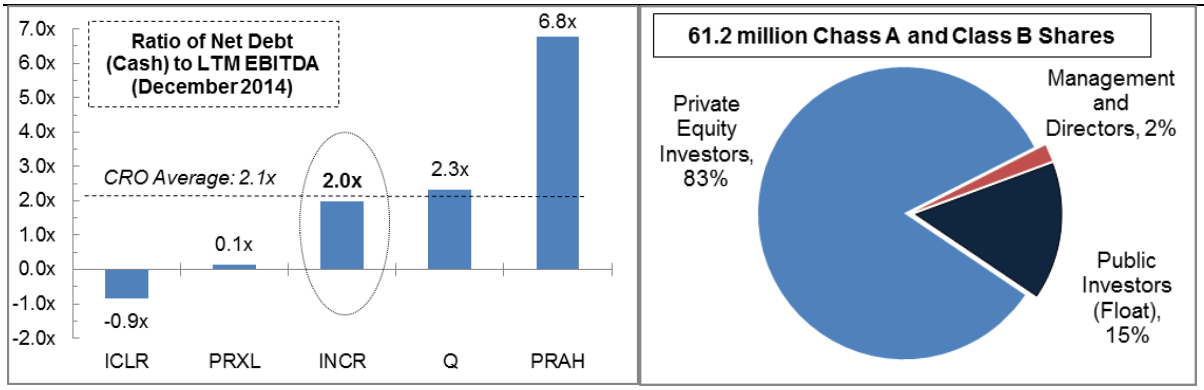
Source: Company reports and KeyBanc Capital Markets Inc.

INC Research's therapeutic focus and high percentage of small/mid-sized clientele has been a source of bookings strength (and high book-to-bill ratios) since late 2013. However, if there is a shift of R&D investment (and interest) by drug developers away from CNS disorders and/or oncology, or if capital markets again become constrained, INC Research could be disproportionately negatively affected vs. the other more therapeutically and functionally flexible CROs, such as Quintiles, ICON and PAREXEL.

3. Elevated Balance Sheet Debt

INC Research remains very financially leveraged vs. PAREXEL, ICON and other late-stage CROs, despite the balance sheet improvements created by the IPO and debt restructuring. This may relatively limit management's flexibility to pursue opportunistic acquisitions and/or other growth investments in the business. Refer to Figure 26.

Figure 26: Balance Sheet Indebtedness and Limited Equity Float (~15%)



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

4. Concentrated Ownership

Finally, ownership of INC Research remains closely held (~83%) by two private equity investors, Avista Health Partners and the Ontario Teachers Pension Plan. Both of these investors have been shareholders of INC Research for more than five years (pre-Kendle), so it makes sense that they might consider an exit at some point. This could impact how the Company is managed, and create a liquidity overhang for minority shareholders. The academic literature on valuing the minority equity in a closely held company is ambiguous, in our view. Nonetheless, we think it is fair to conclude that some sort of minority discount is appropriate for the public shareholders. Refer to Figure 26.

Specifically, the post-IPO shareholders' agreement stipulates that each of the two private equity investors has the have the right to: 1) elect two directors for so long as each owns at least 15% of the outstanding *Class A* and *Class B* shares; and 2) elect one director each for so long as each holds at least 5% of the outstanding *Class A* and *Class B* shares. Also, as long as the two private equity investors together own over 50% of the *Class A* and *Class B* shares, their consent is required for acquisitions, divestitures and/or any other strategic action, as well as the appointment or dismissal of the CEO.

APPENDIX 1: BACKGROUND OF EXECUTIVE OFFICERS

Figure 27: Executive Officers

Name	Title / Function	Background
Jamie Macdonald	Chief Executive Officer (CEO) *Since January 2013*	Jamie Macdonald has been the CEO of INC Research since January 2013. Macdonald was previously the COO of Kendle from May 2011 to July 2011. He became the COO of INC Reserach with the acquisition of Kendle. Prior to Kendle, Macdonald worked in various senior operational and finance roles at Quintiles Transnational Holdings for 15 years.
Gregory Rush	Chief Financial Officer (CFO) *Since August 2013*	Greg Rush joined INC Research in August 2013 as CFO. From April 2010 to August 2013, Rush served as the CFO of Tekelec, which was acquired by Oracle Corporation in June 2013. Previously, Rush had experience in senior financial roles at Siebel Systems, Quintiles Transnational Holdings, PricewaterhouseCoopers, and Ernst & Young.
Alistair Macdonald	Chief Operating Officer (COO) *Since January 2013*	Alistair Macdonald became COO of INC Research in January 2013. He joined the Company in 2002 and served as the President of Clinical Development Services from March 2012 to January 2013. He was also head of the Global Oncology Unit (from February 2011 to March 2012), Strategic Development (from October 2009 to February 2011), and Biometrics (from May 2002 to September 2009).
Christopher Gaenzle	Chief Administrative Officer (CAO) *Since April 2012*	Chris Gaenzle joined INC Research in April 2012 as General Counsel, and also became CAO in August 2013. Previously, Gaenzle served for five years in various legal positions at Pfizer and Hunton and Williams.

Source: Company reports and KeyBanc Capital Markets Inc.

APPENDIX 2: OVERVIEW OF AND OUTLOOK FOR THE CRO INDUSTRY

Summary Overview and History of the CRO Industry

Contract research organizations (CROs) provide outsourcing services that support the discovery, development and marketing of drug therapies (and medical devices). We believe global spending on biopharmaceutical research and development (R&D) and sales and marketing by commercial drug developers, governments and academic researchers approaches ~$200 billion annually, of which we estimate only ~$40 billion (~20%) is outsourced to third parties. This sizeable opportunity, coupled with an increasing propensity by biopharmaceutical developers to outsource activities that can be more efficiently and effectively performed by third parties, should comfortably support a mid/high single-digit growth rate for the CRO industry in the coming years, in our opinion. Refer to Figure 28.

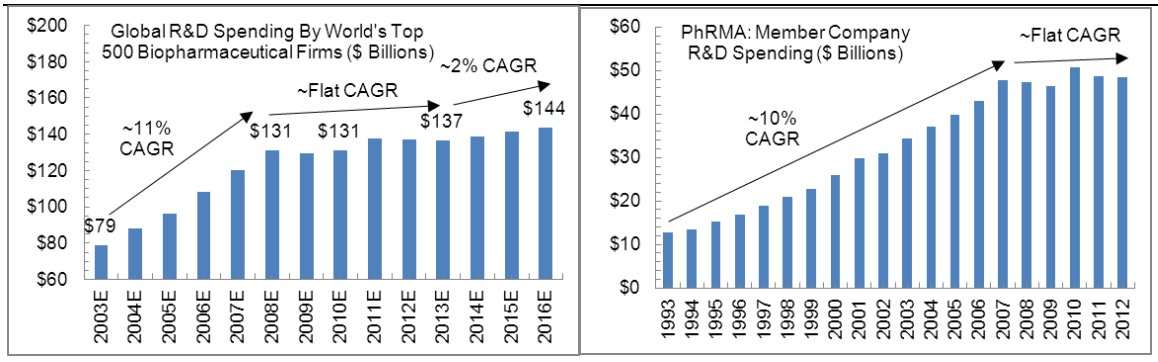
Figure 28: CROs Offer Outsourcing Services to Several End Markets (R&D Spending in 2012)

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

Source: Company Filings and KeyBanc Capital Markets Inc.

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

Figure 29: Biopharmaceutical R&D Spending Negatively Impacted by 2008 Capital Market Crisis

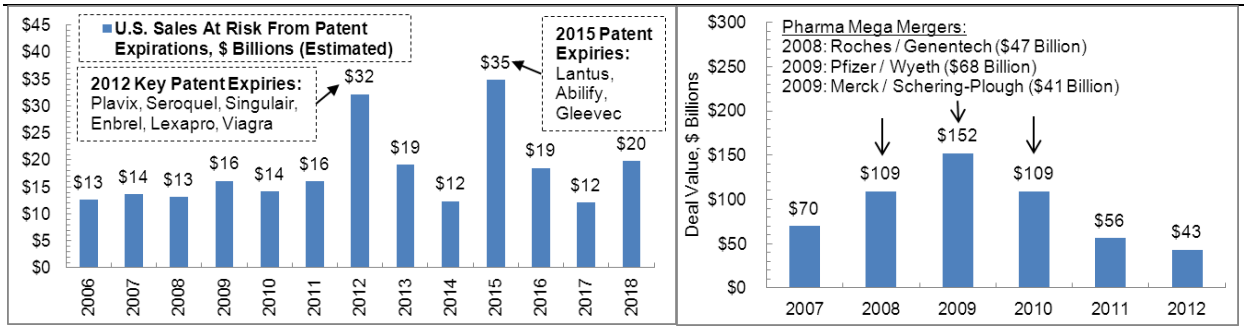


Source: EvaluatePharma (May 2013) and PhRMA Annual Survey 2013

In the 2000s, CROs were generating high single-digit growth in a favorable funding environment for biopharmaceutical research. However, with the capital market crisis in 2008, funding dried up (particularly for more speculative, early-stage projects). Also, biopharmaceutical firms were facing a wave of patent expirations starting in 2012 (the "patent cliff"). With weak funding and an anticipated reduction in sales from patent expiries, the

biopharmaceutical industry went through several years of consolidation and R&D rationalization. This left many CROs with unused capacity, and CROs were forced to cut prices and downsize surplus facilities. During this period, several well-regarded, publicly traded CROs (e.g., Kendle International, Pharmaceutical Product Development and PRA International) were taken private by private equity investors to restructure. Refer to Figures 29, 30 and 31.

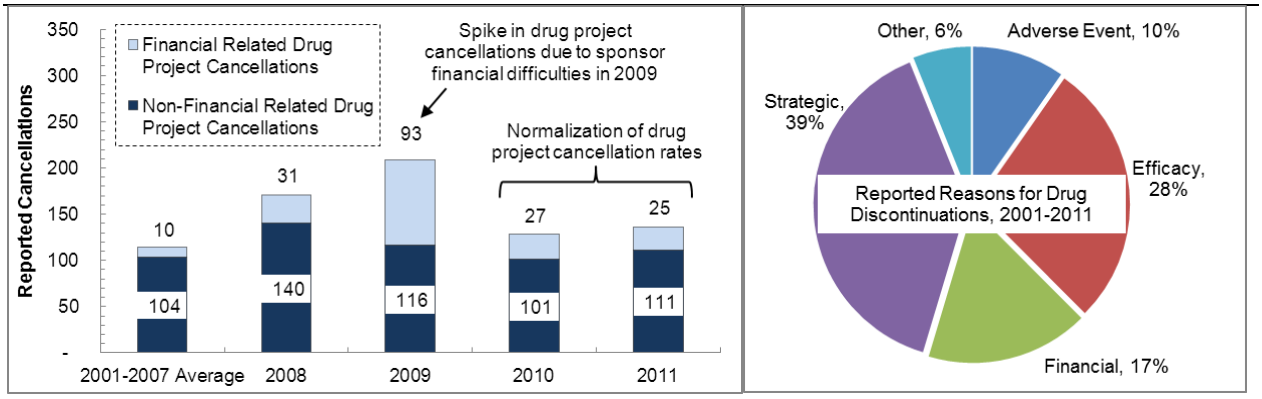
Figure 30: R&D Pipelines Cut (from 2009 to 2012) by Pharma Mega Mergers and Patent Cliff



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

We think that CROs have now significantly right-sized their operations after three-plus years of downsizing. Also, the funding environment for biopharmaceutical R&D has materially improved, as evidenced by pharmaceutical and biotech equity valuations (at multi-year highs) and the flow of new capital raises by small/mid-sized biotech/drug developers. In 2012 there were ~4,028 drugs in formal U.S. Food and Drug Administration (FDA) clinical trials, up ~18% since 2008, and FDA approvals have almost doubled since 2010. All of the management teams that we have contacted have reported a pick-up in new orders and proposals over the past several quarters. Refer to Figure 32.

Figure 31: R&D Project Cancellations Have Normalized Since 2009



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

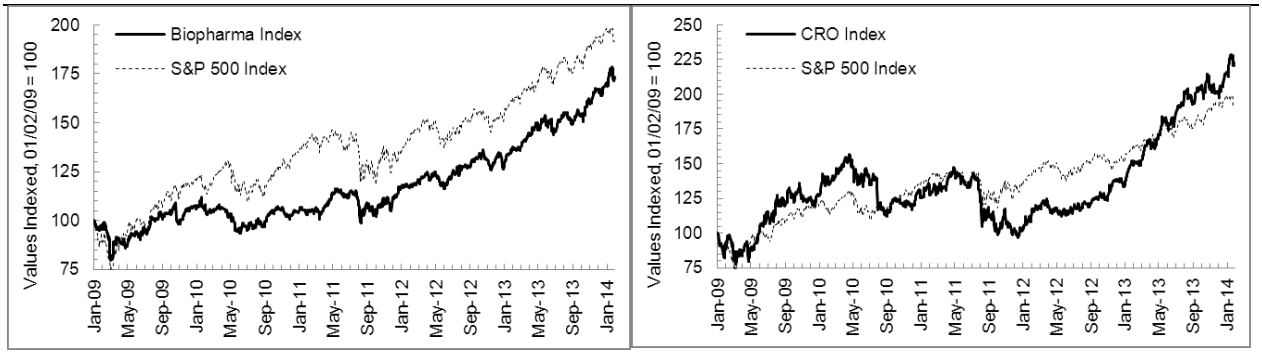
CROs Positioned for Mid Single-Digit Growth in a Recovering Marketplace

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

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

needs to spend ~$4 billion, on average, to discover, develop and commercialize one drug. Refer to Figures 33, 34, and 35.

Figure 32: The Funding Environment for Biopharmaceutical Research Has Materially Improved

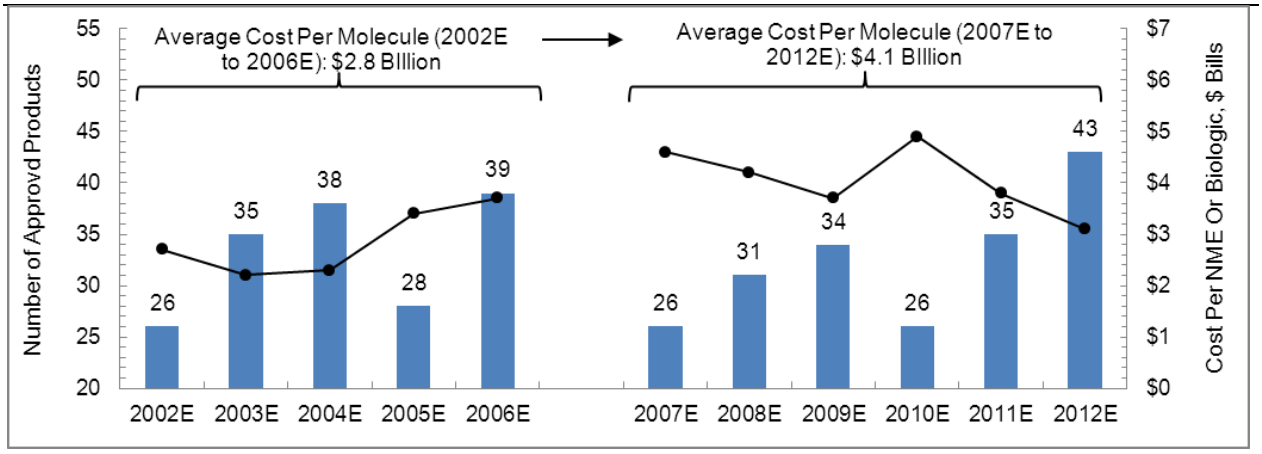


Note: The Biopharma Index reflects the performance of the Market Vectors Pharmaceutical ETF and the CRO Index is the weighted performance of all publicly traded CROs. All market values as of the close of business September 15, 2014.
Source: KeyBanc Capital Markets Inc.

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

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

Figure 33: Increasing Costs of Drug Development Will Drive More Outsourcing to CROs



Source: EvaluatePharma and PriceWaterHouseCoopers Analysis

Given these factors, we expect that well-capitalized global CROs with integrated service offerings will gain market share and outgrow the baseline CRO growth rate by several hundred basis points. The CRO market still remains highly fragmented with hundreds of niche CROs vying for business from a concentrated end market of biopharmaceutical customers. Over the past decade, larger ("one-stop shop") CROs have consistently gained market

share due to their ability to scale (and cross-sell) therapeutic expertise, facilities and information technology. Also, large CROs with global infrastructure can opportunistically operate across different geographies to reduce clinical trial costs and accelerate enrollments. We see no reason why this trend would change, particularly as clinical research steadily becomes more globalized, complex and data intensive.

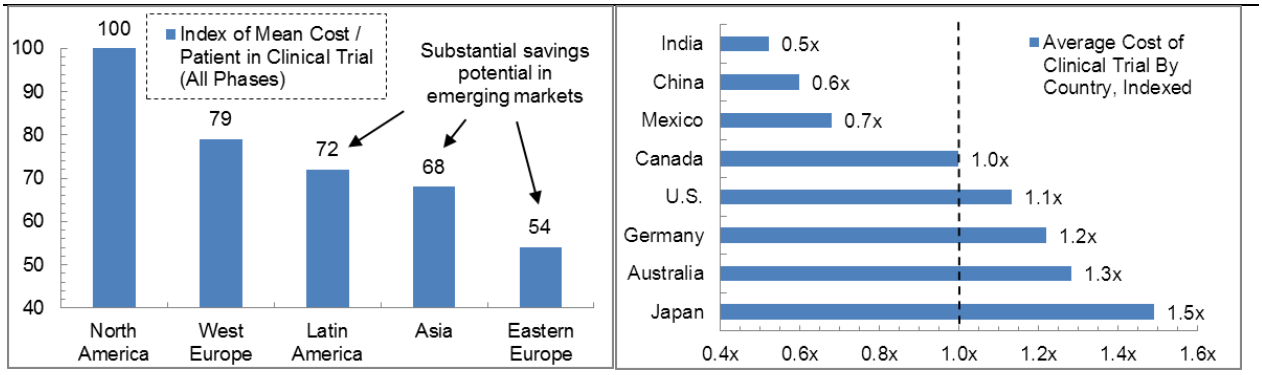
Figure 34: The Complexity of Clinical Trials Has Increased Over the Past Decade

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

Source: Tufts Center for the Study of Drug Development

Moreover, we view larger, integrated CROs as best positioned to gain market share through strategic partnerships with biopharmaceutical sponsors. Sponsors are increasingly rationalizing their CRO relationships around core "one-stop shop" strategic partners. By allocating larger portions of their R&D pipeline over multi-year periods to a small group of core CROs, biopharmaceutical sponsors can negotiate volume-based (lower) pricing. Moreover, by working more strategically with select CROs, sponsors are much more able to affect process change and efficiencies, which is often less practical when working with multiple competing CROs.

Figure 35: Clinical Research Operating Costs Vary Dramatically by Geography



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

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

APPENDIX 3: THE BIOPHARMACEUTICAL DEVELOPMENT LIFECYCLE

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

Figure 36: Multiple Steps to Achieve Regulatory Approval of a New Drug Therapy

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

Source: KeyBanc Capital Markets Inc.

Specifically, in the United States a drug sponsor must first submit an IND (Investigational New Drug) to the FDA that demonstrates that a particular chemical compound can be safely tested in humans. The IND submission includes (among other elements) data from *in vivo* and *in vitro* preclinical pharmacology and toxicology studies. Following IND approval, the sponsor proceeds with human testing in three successive study phases (*Phases I to III*). If the drug proves to be safe and efficacious through each phase, the sponsor can then file an NDA (New Drug Application) with the FDA in order to market the drug to the public. Refer to Figures 36 and 37.

Figure 37: History of FDA Regulated Drug Submissions and Approvals (2002-2012)

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

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

Discovery and Preclinical Research

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

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

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

Clinical (Human) and Post-Approval Services

Phase I Clinical Trials

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

Phase II Clinical Trials

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

Phase III Clinical Trials

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

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

Phase IV Clinical Trials (Post-Marketing Surveillance)

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

APPENDIX 4: SUMMARY FINANCIAL MODELS

Figure 38: Projected Bookings, Backlog, and Non-GAAP Operating Metrics

INCR -- Bookings and Backlog Data (in millions)	2013A	Fiscal Year End, December 2014 1QA	2QA	3QA	4QE	2014E	Fiscal Year End, December 2015 1QE	2QE	3QE	4QE	2015E	2016E
Net New Business Wins (Bookings)	**$814.2**	**$280.9**	**$103.4**	**$249.2**	**$269.9**	**$903.4**	**$234.4**	**$234.4**	**$234.4**	**$299.6**	**$1,002.8**	**$1,103.1**
Year-Over-Year Growth	*20.4%*	*107.0%*	*8.4%*	*-16.3%*	*-5.4%*	*11.0%*	*11.0%*	*11.0%*	*11.0%*	*11.0%*	*11.0%*	*10.0%*
Net Book to Bill Ratio (Period)	*1.25x*	*1.52x*	*0.51x*	*1.20x*	*1.30x*	*1.12x*	*1.10x*	*1.07x*	*1.04x*	*1.29x*	*1.12x*	*1.12x*
Net Book to Bill Ratio (R4Q)	*1.25x*	*1.40x*	*1.32x*	*1.19x*	*1.12x*	*1.12x*	*1.03x*	*1.16x*	*1.12x*	*1.12x*	*1.12x*	*1.12x*
Backlog, End of Period	**$1,490.8**	**$1,594.0**	**$1,493.0**	**$1,506.0**	**$1,568.4**	**$1,568.4**	**$1,589.4**	**$1,604.4**	**$1,612.4**	**$1,679.5**	**$1,679.5**	**$1,801.8**
Year-Over-Year Growth (%)	*12.9%*	*22.3%*	*20.4%*	*9.7%*	*5.2%*	*5.2%*	*-0.3%*	*7.5%*	*7.1%*	*7.1%*	*7.1%*	*7.3%*
INCR -- Non-GAAP Operating Metrics												
Net Revenue	**$652.4**	**$184.7**	**$203.5**	**$207.8**	**$207.5**	**$803.5**	**$213.3**	**$219.4**	**$226.5**	**$232.4**	**$891.6**	**$980.8**
Year-Over-Year Growth (%)	*12.7%*	*23.3%*	*27.9%*	*22.9%*	*19.0%*	*23.2%*	*15.5%*	*7.8%*	*9.0%*	*12.0%*	*11.0%*	*10.0%*
Adjusted EBITDA	**$105.5**	**$32.6**	**$40.0**	**$41.3**	**$36.0**	**$149.9**	**$38.5**	**$39.2**	**$40.0**	**$41.0**	**$158.7**	**$179.4**
Adjusted EBITDA Margin	*16.2%*	*17.6%*	*19.7%*	*19.9%*	*17.4%*	*18.7%*	*18.1%*	*17.9%*	*17.7%*	*17.7%*	*17.8%*	*18.3%*
Year-Over-Year Growth (%)	*25.1%*	*80.8%*	*61.7%*	*25.6%*	*20.6%*	*42.1%*	*18.2%*	*-2.2%*	*-3.3%*	*13.9%*	*5.8%*	*13.1%*
Adjusted Earnings Per Share	**$0.30**	**$0.14**	**$0.26**	**$0.35**	**$0.21**	**$0.96**	**$0.29**	**$0.29**	**$0.30**	**$0.31**	**$1.19**	**$1.40**
Year-Over-Year Growth (%)	*460.6%*	*-591.4%*	*319.3%*	*115.7%*	*112.3%*	*224.0%*	*110.4%*	*11.2%*	*-13.3%*	*45.5%*	*24.0%*	*17.7%*

Source: Company reports and KeyBanc Capital Markets Inc.

Figure 39: Projected GAAP Income Statements

INCR -- GAAP Income Statement (in millions)	2013A	Fiscal Year End, December 2014 1QA	2QA	3QA	4QE	2014E	Fiscal Year End, December 2015 1QE	2QE	3QE	4QE	2015E	2016E
Net Service Revenue	**$652.4**	**$184.7**	**$203.5**	**$207.8**	**$207.5**	**$803.5**	**$213.3**	**$219.4**	**$226.5**	**$232.4**	**$891.6**	**$980.8**
Year-Over-Year Growth, % (Services)	*12.7%*	*17.0%*	*12.3%*	*15.4%*	*19.0%*	*23.2%*	*15.5%*	*7.8%*	*9.0%*	*12.0%*	*11.0%*	*10.0%*
Less: Direct Costs	(432.3)	(120.8)	(130.8)	(129.6)	(133.8)	(514.9)	(137.6)	(142.0)	(147.0)	(150.8)	(577.4)	(634.1)
Gross Income	$220.2	$63.9	$72.8	$78.2	$73.7	$288.6	$75.7	$77.5	$79.5	$81.6	$314.2	$346.6
Gross Margin, % (Services)	*33.7%*	*34.6%*	*35.7%*	*37.6%*	*35.5%*	*35.9%*	*35.5%*	*35.3%*	*35.1%*	*35.1%*	*35.2%*	*35.3%*
less: Selling, General, and Admin	(117.9)	(32.2)	(34.0)	(38.2)	(38.6)	(142.9)	(38.2)	(39.3)	(40.5)	(41.6)	(159.6)	(171.6)
less: Depreciation	(19.2)	(6.9)	(5.0)	(4.7)	(5.4)	(22.0)	(5.8)	(5.7)	(5.9)	(6.0)	(23.4)	(25.5)
less: Amortization	(39.3)	(7.5)	(6.2)	(9.6)	(9.4)	(32.7)	(9.4)	(9.4)	(9.4)	(9.4)	(37.6)	(37.6)
less: Other	(12.3)	(2.8)	(19.7)	(3.0)	-	(25.4)	-	-	-	-	-	-
Operating Income	**$31.5**	**$14.6**	**$7.9**	**$22.7**	**$20.3**	**$65.5**	**$22.4**	**$23.1**	**$23.7**	**$24.5**	**$93.7**	**$111.9**
Operating Margin % (Services)	*4.8%*	*7.9%*	*3.9%*	*10.9%*	*9.8%*	*8.1%*	*10.5%*	*10.5%*	*10.4%*	*10.6%*	*10.5%*	*11.4%*
plus: Interest Income	0.3	0.2	0.0	0.0	0.0	0.3	0.0	0.0	0.0	0.0	0.2	0.2
less: Interest Expense	(60.8)	(16.1)	(12.8)	(12.9)	(9.5)	(51.4)	(5.3)	(5.3)	(5.3)	(5.3)	(21.1)	(21.1)
plus: Other Income (expense)	(1.6)	1.4	(0.3)	5.1	-	6.2	-	-	-	-	-	-
Pretax Income	($30.7)	$0.1	($5.3)	$15.0	$10.8	$20.6	$17.1	$17.8	$18.4	$19.3	$72.7	$91.0
less: Provision for Income Taxes	(10.8)	(1.6)	20.6	(2.4)	(4.0)	12.6	(6.2)	(6.4)	(6.6)	(6.9)	(26.2)	(31.9)
Net Earnings	($41.5)	($1.6)	$15.3	$12.6	$6.8	$33.1	$11.0	$11.4	$11.8	$12.3	$46.5	$59.2
less: Class C Stock Dividends	(0.5)	(0.1)	(0.1)	(0.1)	-	(0.4)	-	-	-	-	-	-
Net Earnings to Class A and B Shares	($42.0)	($1.7)	$15.2	$12.4	$6.8	$32.7	$11.0	$11.4	$11.8	$12.3	$46.5	$59.2
Diluted EPS (GAAP)	**($0.81)**	**($0.03)**	**$0.29**	**$0.24**	**$0.11**	**$0.60**	**$0.18**	**$0.19**	**$0.19**	**$0.20**	**$0.76**	**$0.97**
Diluted Share Count	52.0	51.9	52.2	52.5	61.2	54.5	61.2	61.2	61.2	61.2	61.2	61.2
Non-GAAP Metrics												
Net Services Revenue	**$652.4**	**$184.7**	**$203.5**	**$207.8**	**$207.5**	**$803.5**	**$213.3**	**$219.4**	**$226.5**	**$232.4**	**$891.6**	**$980.8**
Year-Over-Year Growth, % (Period)	*12.7%*	*23.3%*	*27.9%*	*22.9%*	*19.0%*	*23.2%*	*15.5%*	*7.8%*	*9.0%*	*12.0%*	*11.0%*	*10.0%*
Year-Over-Year Growth, % (R4Q)	*12.7%*	*17.0%*	*21.0%*	*22.2%*	*23.2%*	*23.2%*	*21.1%*	*15.9%*	*12.5%*	*11.0%*	*11.0%*	*10.0%*
Adjusted EBITDA	**$105.5**	**$32.6**	**$40.0**	**$41.3**	**$36.0**	**$149.9**	**$38.5**	**$39.2**	**$40.0**	**$41.0**	**$158.7**	**$179.4**
Adjusted EBITDA Margin %	*16.2%*	*17.6%*	*19.7%*	*19.9%*	*17.4%*	*18.7%*	*18.1%*	*17.9%*	*17.7%*	*17.7%*	*17.8%*	*18.3%*
Year-Over-Year Growth, % (Period)	*25.1%*	*80.8%*	*61.7%*	*25.6%*	*20.6%*	*42.1%*	*18.2%*	*-2.2%*	*-3.3%*	*13.9%*	*5.8%*	*13.1%*
Adjusted EPS	**$0.30**	**$0.14**	**$0.26**	**$0.35**	**$0.21**	**$0.96**	**$0.29**	**$0.29**	**$0.30**	**$0.31**	**$1.19**	**$1.40**
Year-Over-Year Growth, % (Period)	*460.6%*	*-591.4%*	*319.3%*	*115.7%*	*112.3%*	*224.0%*	*110.4%*	*11.2%*	*-13.3%*	*45.5%*	*24.0%*	*17.7%*

Source: Company reports and KeyBanc Capital Markets Inc.

Figure 40: Projected Balance Sheets

INCR -- Balance Sheet (in millions)	2013A	Fiscal Year End, December 2014 1QA	2QA	3QA	4QE	2014E	Fiscal Year End, December 2015 1QE	2QE	3QE	4QE	2015E	2016E
ASSETS												
Cash and Equivalents	97.0	n/a	n/a	185.8	124.3	124.3	143.6	163.2	183.2	203.2	203.2	293.2
Receivables, Net	228.8	n/a	n/a	237.8	249.0	249.0	258.1	267.7	278.5	288.2	288.2	327.2
Other Current Assets	50.4	n/a	n/a	55.0	58.1	58.1	60.6	63.2	66.1	68.8	68.8	79.8
Total Current Assets	$376.2	n/a	n/a	$478.6	$431.4	$431.4	$462.4	$494.0	$527.9	$560.2	$560.2	$700.2
Net Fixed Assets	40.9	n/a	n/a	41.5	42.0	42.0	43.1	44.4	45.8	47.2	47.2	51.1
Other Assets	816.0	n/a	n/a	795.9	827.1	827.1	816.8	806.4	796.0	785.5	785.5	743.5
Total Assets	**$1,233.1**	**n/a**	**n/a**	**$1,316.0**	**$1,300.5**	**$1,300.5**	**$1,322.2**	**$1,344.8**	**$1,369.6**	**$1,392.9**	**$1,392.9**	**$1,494.8**
LIABILITIES & SHAREHOLDERS EQUITY												
Short Term Debt	7.0	n/a	n/a	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Accounts Payable and Accruals	103.8	n/a	n/a	123.3	116.2	116.2	119.5	122.9	126.8	130.1	130.1	143.2
Deferred Revenues	207.2	n/a	n/a	257.3	265.6	265.6	273.1	280.9	289.9	297.5	297.5	327.2
Other Current Liabilities	-	n/a	n/a	-	-	-	-	-	-	-	-	-
Total Current Liabilities	$318.0	$0.0	$0.0	$381.2	$382.4	$382.4	$393.2	$404.4	$417.3	$428.2	$428.2	$471.0
Long Term Debt	587.5	n/a	n/a	587.8	421.8	421.8	421.8	421.8	421.8	421.8	421.8	421.8
Deferred Revenues	-	n/a	n/a	-	-	-	-	-	-	-	-	-
Other Liabilities	51.4	n/a	n/a	53.6	53.6	53.6	53.6	53.6	53.6	53.6	53.6	53.6
Shareholders's Equity	276.2	n/a	n/a	293.5	442.8	442.8	453.8	465.2	477.0	489.3	489.3	548.5
Liabilities And Shareholders' Equity	**$1,233.1**	**n/a**	**n/a**	**$1,316.0**	**$1,300.5**	**$1,300.5**	**$1,322.2**	**$1,344.8**	**$1,369.6**	**$1,392.9**	**$1,392.9**	**$1,494.8**

Source: Company reports and KeyBanc Capital Markets Inc.

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Rating	Count	Percent	Count	Percent	Rating	Count	Percent	Count	Percent
BUY [BUY]	257	44.93	63	24.51	BUY [BUY]	17	45.95	4	23.53
HOLD [HOLD]	300	52.45	58	19.33	HOLD [HOLD]	18	48.65	2	11.11
SELL [UND]	15	2.62	2	13.33	SELL [UND]	2	5.41	0	0.00

Rating System

BUY - The security is expected to outperform the market over the next six to 12 months; investors should consider adding the security to their holdings opportunistically, subject to their overall diversification requirements.

HOLD - The security is expected to perform in line with general market indices over the next six to 12 months; no buy or sell action is recommended at this time.

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