



QuintilesIMS™

# QuintilesIMS

## Q1 2017 Earnings Call

May 3, 2017

# Legal

## This presentation should be viewed in conjunction with QuintilesIMS's Q1 2017 earnings call

### Safe Harbor Statement

This presentation contains “forward-looking statements” within the meaning of the federal securities laws, including Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. In this context, forward-looking statements often address expected future business and financial performance and financial condition, and often contain words such as “expect,” “anticipate,” “intend,” “plan,” “believe,” “seek,” “see,” “will,” “would,” “target,” similar expressions, and variations or negatives of these words. Actual results may differ materially from our expectations due to a number of factors, including, but not limited to, that our ability to integrate the legacy IMS Health and Quintiles businesses successfully and to achieve anticipated cost savings and other synergies; the possibility that other anticipated benefits of the proposed transaction will not be realized, including without limitation, anticipated revenues, expenses, earnings and other financial results, and growth and expansion of the combined company's operations, and the anticipated tax treatment; possible disruptions from the combination of IMS Health and Quintiles through a “merger of equals” business combination that could harm our businesses, including current plans and operations; our ability to retain, attract and hire key personnel; potential adverse reactions or changes to relationships with clients, employees, suppliers or other parties resulting from the merger; that most of our contracts may be terminated on short notice, and we may be unable to maintain large client contracts or to enter into new contracts; our financial results may be adversely affected if we underprice our contracts, overrun our cost estimates or fail to receive approval for or experience delays in documenting change orders; imposition of restrictions on our use of data by data suppliers or their refusal to license data to us; failure to meet our productivity objectives; failure to successfully invest in growth opportunities; imposition of restrictions on our current and future activities under data protection and privacy laws; breaches or misuse of our or our outsourcing partners' security or communication systems; hardware and software failures, delays in the operation of our computer and communications systems or the failure to implement system enhancements; consolidation in the industries in which our clients operate; our ability to protect our intellectual property rights and our susceptibility to claims by others that we are infringing on their intellectual property rights; the risks associated with operating on a global basis, including fluctuations in the value of foreign currencies relative to the U.S. dollar, and the ability to successfully hedge such risks; general economic conditions in the markets in which we operate, including financial market conditions; and our ability to successfully integrate, and achieve expected benefits from, our acquired businesses. For a further discussion of the risks relating to the combined company's business, see the “Risk Factors” in our annual report on Form 10-K for the fiscal year ended December 31, 2016, filed with the SEC, as such factors may be amended or updated from time to time in our subsequent periodic and other filings with the SEC, which are accessible on the SEC's website at [www.sec.gov](http://www.sec.gov). These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this release and in our filings with the SEC. We assume no obligation to update any such forward-looking statement after the date of this release, whether as a result of new information, future developments or otherwise.

### Non-GAAP Information

This presentation includes information based on financial measures that are not recognized under generally accepted accounting principles in the United States (“GAAP”), such as Adjusted EBITDA, Adjusted Net Income, and Adjusted Basic and Diluted Earnings per Share. In addition, management believes that these measures are useful to assess the company's operating performance trends on a more consistent basis from period to period because they exclude certain non-cash items, certain variable costs and certain other adjustments. The non-GAAP measures are not presented in accordance with GAAP. Note that historic Adjusted EBITDA, Adjusted Net Income and Adjusted Diluted EPS are presented using the same legacy calculation each company previously used to calculate such financial metrics. Please refer to the appendix of this presentation for reconciliations of non-GAAP financial measures contained herein to the most comparable GAAP measures.

### Past Performance

In all cases where historical results are presented or past performance is described, we note that past performance is not a reliable indicator of future results and performance.

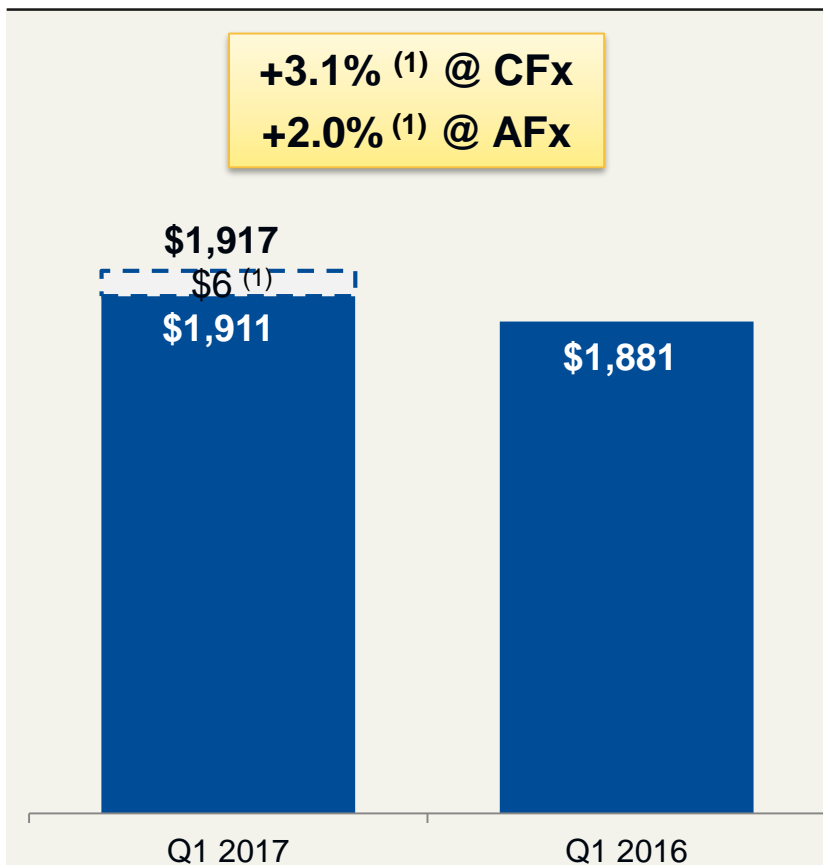
### Trademarks

All trademarks or service marks are the property of QuintilesIMS or their respective owners. Solely for convenience, the trademarks, service marks and trade names are referenced without the ®, (sm) and (TM) symbols, but we will assert, to the fullest extent under applicable law, our rights or the rights of the applicable licensors to these marks.

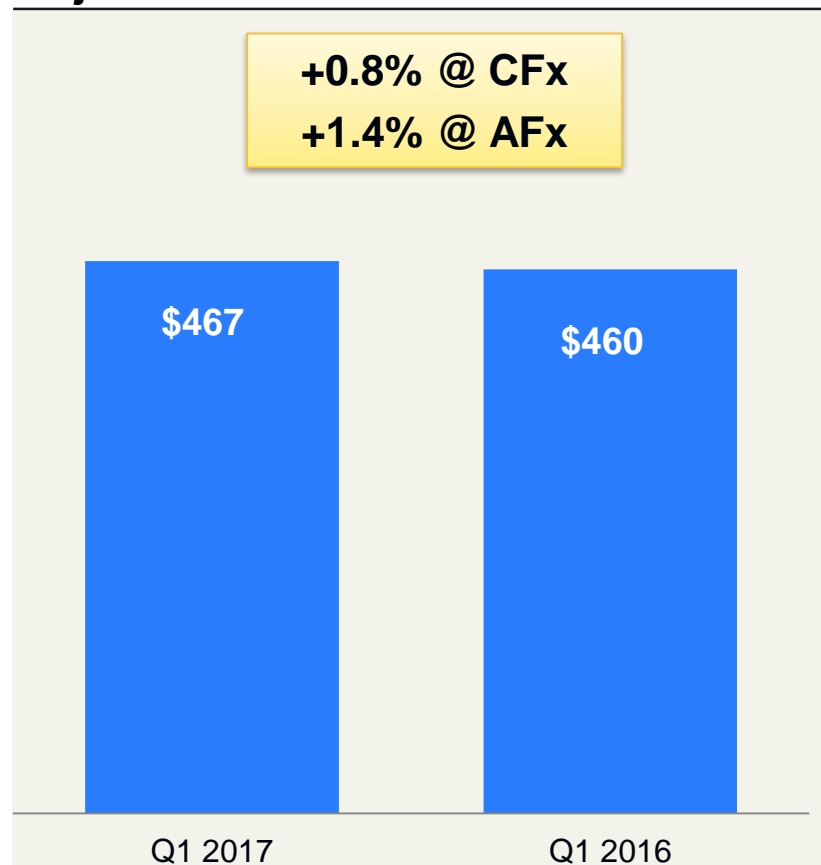
# 1st Quarter Results: Assumes Merger Closed 1/1/2016

\$M, except per share data

## Revenue



## Adjusted EBITDA <sup>(2,3)</sup>



 Deferred Revenue Add-back

# 1st Quarter Revenue

\$M

Segment	<u>Assumes Merger Closed 1/1/16</u>				<u>Quintiles Standalone</u>		
	2017	2016 <sup>(2)</sup>	VPY% Afx	VPY% CFx	2016 <sup>(3)</sup>	VPY% Afx	VPY% CFx
R&D Solutions	\$866	\$840	3.0%	4.3%	\$835	3.7%	5.0%
Commercial Solutions	\$854	\$843	1.3%	2.4%	\$75	1,033%	1,045%
Integrated Engagement Services	<u>\$198</u>	<u>\$199</u>	(0.9)%	(0.2)%	<u>\$198</u>	0.0%	0.7%
<b>Revenue</b>	<b>\$1,917</b>	<b>\$1,881</b>	<b>2.0%</b>	<b>3.1%</b>	<b>\$1,108</b>	<b>73.1%</b>	<b>75.0%</b>
<i>Deferred Revenue Adjustment (DRA) <sup>(1)</sup></i>	<u>\$(6)</u>	-	-	-	-	-	-
<i>Revenue with DRA</i>	<i>\$1,911</i>	<i>\$1,881</i>	<i>1.6%</i>	<i>2.8%</i>	<i>\$1,108</i>	<i>72.5%</i>	<i>74.4%</i>

Dollars are at actual foreign exchange rates. Afx is actual currency, CFx is constant currency; revenue does not include reimbursed expense revenue  
Numbers may not add up to total due to rounding

- (1) Deferred revenue adjustment only impacts the Commercial Solutions segment
- (2) Legacy IMS commercial revenue excludes \$2 million of intercompany revenue
- (3) Reflects the recasting of legacy Quintiles segments

# 1st Quarter 2017 Profit

\$M, except per share data, at reported FX rates

<b>Adjusted EBITDA <sup>(1)</sup></b>	<b>\$467</b>
<b>Adjusted EBITDA Margin</b>	<b>24.4%</b>
<b>Net Income</b>	<b>\$74</b>
<b>Diluted Earnings per Share</b>	<b>\$0.31</b>
<b>Adjusted Net Income <sup>(1)</sup></b>	<b>\$238</b>
<b>Adjusted Diluted Earnings per Share <sup>(1)</sup></b>	<b>\$1.01</b>

# Net New Business and Backlog on a Contracted Basis

\$B, except Book-to-Bill & Backlog Coverage

<b>LTM Net New Business</b>	<b>\$4.08</b>
<b>LTM Book-to-Bill</b>	<b>1.16x</b>
<b>LTM Backlog Coverage <sup>(1)</sup></b>	<b>2.74x</b>
<b>Backlog as of 3/31/2017</b>	<b>\$9.66</b>
<b>NTM Backlog Estimated to be Converted to Revenue</b>	<b>Approx. \$2.9</b>

# 1st Quarter 2017 Balance Sheet Items & Metrics

\$M, at reported FX rates

<b>Cash &amp; Cash Equivalents</b>	\$862
<b>Principal Balance of Debt <sup>(1)</sup></b>	\$8,383
<b>Gross Leverage Ratio <sup>(2)</sup></b>	4.3x
<b>Net Leverage Ratio <sup>(2)</sup></b>	3.8x
<b>Net Cash Provided by Operating Activities</b>	\$56
<b>Capital Expenditures</b>	\$78
<b>Free Cash Flow</b>	(\$22)

# Full-Year 2017 Guidance Update

\$M, except per share data

	<u>Current</u>	<u>Prior</u> <sup>(2)</sup>
<b>Revenue</b>	8,000 – 8,100	8,000 – 8,100
<b>Adjusted EBITDA</b>	2,000 – 2,100	2,000 – 2,100
<b>Adjusted Diluted EPS</b>	<b>4.45 – 4.60</b>	<b>4.40 – 4.55</b>
<b>Adjusted Book Tax Rate</b> <sup>(1)</sup>	~30%	~30%
<b>Adjusted Cash Tax Rate</b> <sup>(1)</sup>	~16%	~16%



# First-Quarter Summary



**Financial results in line with or better than guidance**



**Client traction with Next-Gen CRO offering**



**Wins with combined RWI offering**



**Steady commercial performance**



**Technology strategy progress / Salesforce.com alliance**



**€1.4 Billion bond offering / term B loan maturity extension**



**\$1.3 Billion of share repurchases**



**Full-year revenue/Adjusted EBITDA guidance reaffirmed;  
Adjusted Diluted EPS raised**

# Q&A

# Appendix

# Net Income to Adjusted EBITDA

## \$M, Historical Data for Quintiles Standalone

	Three Months Ended	
	March 31,	
	2017	2016 <sup>(1)</sup>
<b>Net Income</b>	\$ 74	\$ 107
Provision for (benefit from) income taxes	12	43
Depreciation and amortization	232	32
Interest expense, net	73	25
(Income) loss in unconsolidated affiliates	1	(3)
(Income) loss in non-controlling interests	2	2
Deferred revenue purchase accounting adjustments	6	-
Stock-based compensation	26	9
Other income (expense), net	6	5
Loss on extinguishment of debt	3	-
Restructuring and related charges	19	3
Acquisition related charges	11	1
Merger related charges	2	-
<b>Adjusted EBITDA</b>	\$ 467	\$ 224

# Net Income to Adjusted EBITDA

\$M, Combined Company as if Merger Closed 1/1/2016

	Three Months Ended March 31,	
	2017	2016
<b>Net Income</b>	\$ 74	\$ 150
Provision for (benefit from) income taxes	12	63
Depreciation and amortization	232	119
Interest expense, net	73	71
(Income) loss in unconsolidated affiliates	1	(2)
(Income) loss in non-controlling interests	2	2
Deferred revenue purchase accounting adjustments	6	1
Stock-based compensation	26	16
Other income (expense), net	6	8
Loss on extinguishment of debt	3	-
Restructuring and related charges	19	19
Acquisition related charges	11	13
Merger related charges	2	-
<b>Adjusted EBITDA</b>	\$ 467	\$ 460

# Net Income to Adjusted Net Income & Per Share Data

\$M, except per share data

	<u>Three Months Ended</u> <u>March 31,</u> <u>2017</u>	
<b>Net Income</b>	<b>\$</b>	<b>74</b>
Provision for (benefit from) income taxes		12
Purchase accounting amortization		177
(Income) loss in unconsolidated affiliates		1
(Income) loss in non-controlling interests		2
Deferred revenue purchase accounting adjustments		6
Stock-based compensation		26
Other income (expense), net		6
Loss on extinguishment of debt		3
Royalty hedge gain/(loss)		4
Restructuring and related charges		19
Acquisition related charges		11
Merger related charges		2
<b>Adjusted Pre Tax Income</b>	<b>\$</b>	<b>342</b>
Adjusted tax expense		(99)
(Income) loss from non-controlling interests		(2)
Minority interest effect in non-GAAP adjustments <sup>(1)</sup>		(3)
<b>Adjusted Net Income</b>	<b>\$</b>	<b>238</b>
<b>Adjusted earnings per share attributable to common stockholders:</b>		
Basic	\$	1.03
Diluted	\$	1.01
<b>Weighted average common shares outstanding:</b>		
Basic		230.1
Diluted		234.9

# Leverage Ratios

\$M

<b>Gross Debt as of March 31, 2017</b>	<b>\$</b>	<b>8,383</b>
<b>Net Debt as of March 31, 2017</b>	<b>\$</b>	<b>7,520</b>
<b>Adjusted EBITDA <sup>(1)</sup> for the twelve months ended March 31, 2017</b>	<b>\$</b>	<b>1,962</b>
<b>Gross Leverage Ratio (Gross Debt/LTM Adjusted EBITDA)</b>		<b>4.3x</b>
<b>Net Leverage Ratio (Net Debt/LTM Adjusted EBITDA)</b>		<b>3.8x</b>