QuintilesIMS

Q2 2017 Earnings Call

August 3, 2017

Legal

This presentation should be viewed in conjunction with QuintilesIMS's Q2 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. 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.

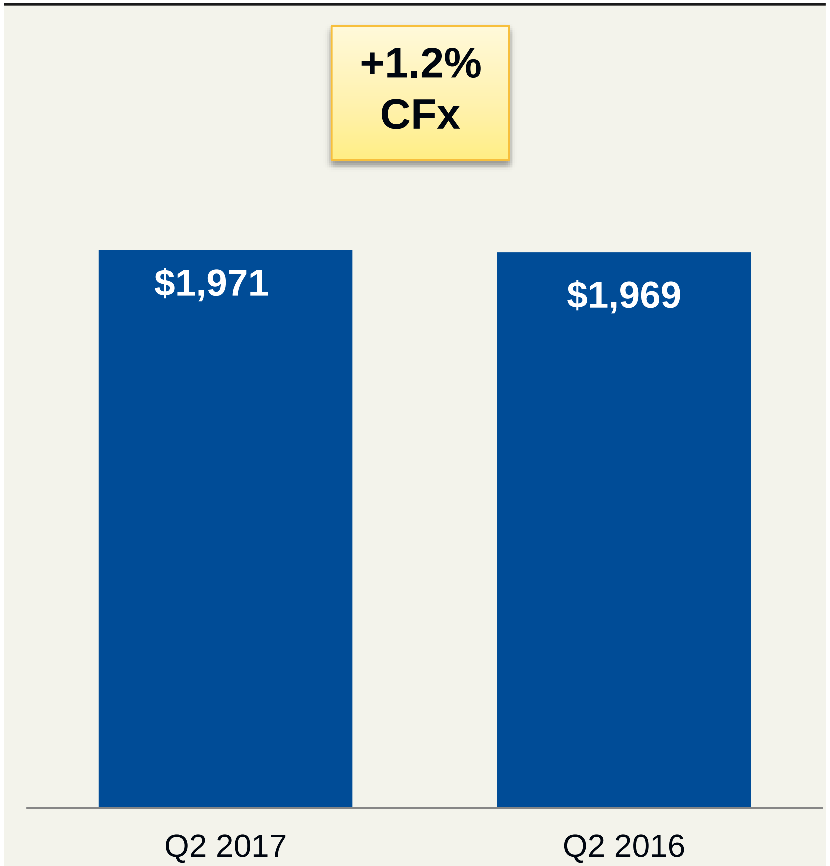
Trademarks

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.

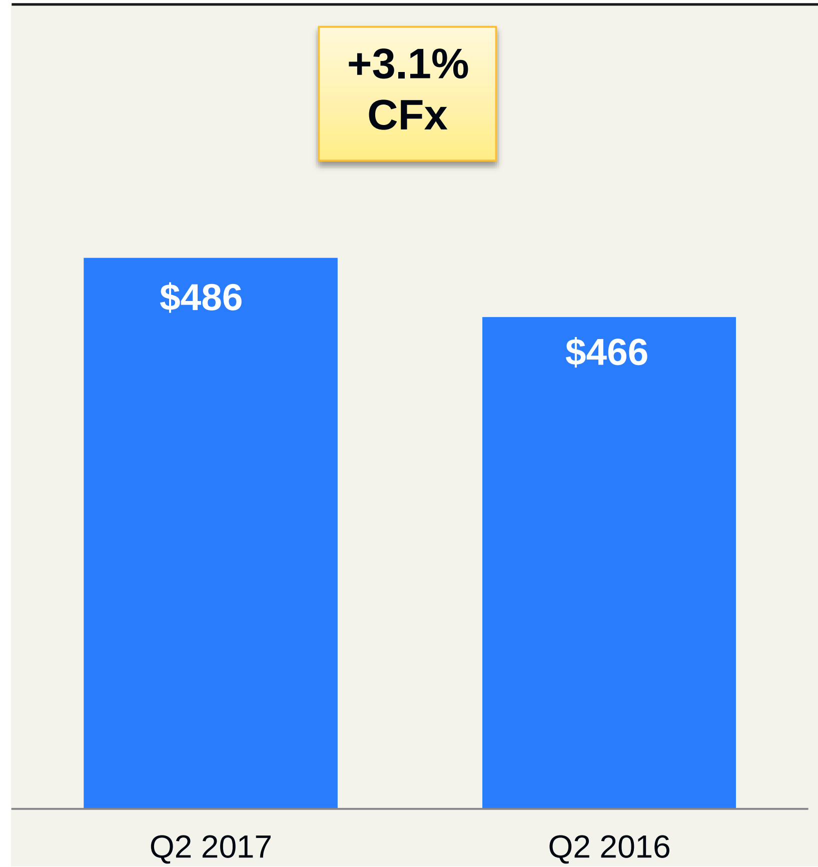
2nd Quarter Results: Assumes Merger Closed 1/1/2016

$M

Revenue (1)



Adjusted EBITDA (2,3)



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Dollars are at actual foreign exchange rates. AFx is actual currency, CFx is constant currency; revenue does not include reimbursed expense revenue

(1) 2017 revenue adjusted by $2 million for merger related deferred revenue adjustment

(2) Prior-year Adjusted EBITDA recast to conform with current methodology

(3) See reconciliations of non-GAAP items in appendix

2nd Quarter Revenue

$M

		Assumes Merger Closed 1/1/16			Quintiles Standalone		
	2017	**2016 (2)**	**VPY% AFx**	**VPY% CFx**	**2016 (3)**	**VPY% AFx**	**VPY% CFx**
Commercial Solutions	$871	$865	0.6%	1.9%	$71	1,140%	1,156%
R&D Solutions	$896	$893	0.4%	1.7%	$887	1.0%	2.3%
Integrated Engagement Services	$204	$212	(3.7)%	(2.1)%	$209	(2.6)%	(1.0)%
Revenue	**$1,971**	**$1,969**	**0.1%**	**1.2%**	**$1,167**	**68.9%**	**70.8%**
Deferred Revenue Adjustment (DRA) (1)	*$(2)*	-	-	-	-	-	-
Revenue with DRA	*$1,969*	*$1,969*	*0.0%*	*1.1%*	*$1,167*	*68.7%*	*70.7%*

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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 $1 million of intercompany revenue
(3) Reflects the recasting of legacy Quintiles segments

2nd Quarter 2017 Profit

$M, except per share data

Adjusted EBITDA [1]	$486
Adjusted EBITDA Margin	24.7%
Net Income	$75
Diluted Earnings per Share	$0.34
Adjusted Net Income [1]	$242
Adjusted Diluted Earnings per Share [1]	$1.09

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Dollars are at actual foreign exchange rates

(1) See reconciliations of non-GAAP items in appendix

Year-to-date Revenue

$M

	Assumes Merger Closed 1/1/16				Quintiles Standalone		
	2017	**2016 (2)**	**VPY% AFx**	**VPY% CFx**	**2016 (3)**	**VPY% AFx**	**VPY% CFx**
Commercial Solutions	$1,724	$1,708	0.9%	2.1%	$146	1,085%	1,099%
R&D Solutions	$1,762	$1,733	1.7%	2.9%	$1,722	2.3%	3.6%
Integrated Engagement Services	$402	$412	(2.3)%	(1.2)%	$407	(1.4)%	(0.2)%
Revenue	**$3,888**	**$3,850**	**1.0%**	**2.2%**	**$2,275**	**70.9%**	**72.8%**
Deferred Revenue Adjustment (DRA) (1)	*$(8)*	-	-	-	-	-	-
Revenue with DRA	*$3,880*	*$3,850*	*0.8%*	*1.9%*	*$2,275*	*70.5%*	*72.5%*

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

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Net New Business and Backlog on a Contracted Basis

$B

LTM Net New Business	$4.03
LTM Book-to-Bill	1.14x
LTM Backlog Coverage (1)	2.84x
Backlog as of 6/30/2017	$9.99
NTM Backlog Estimated to be Converted to Revenue	Approx. $3.0

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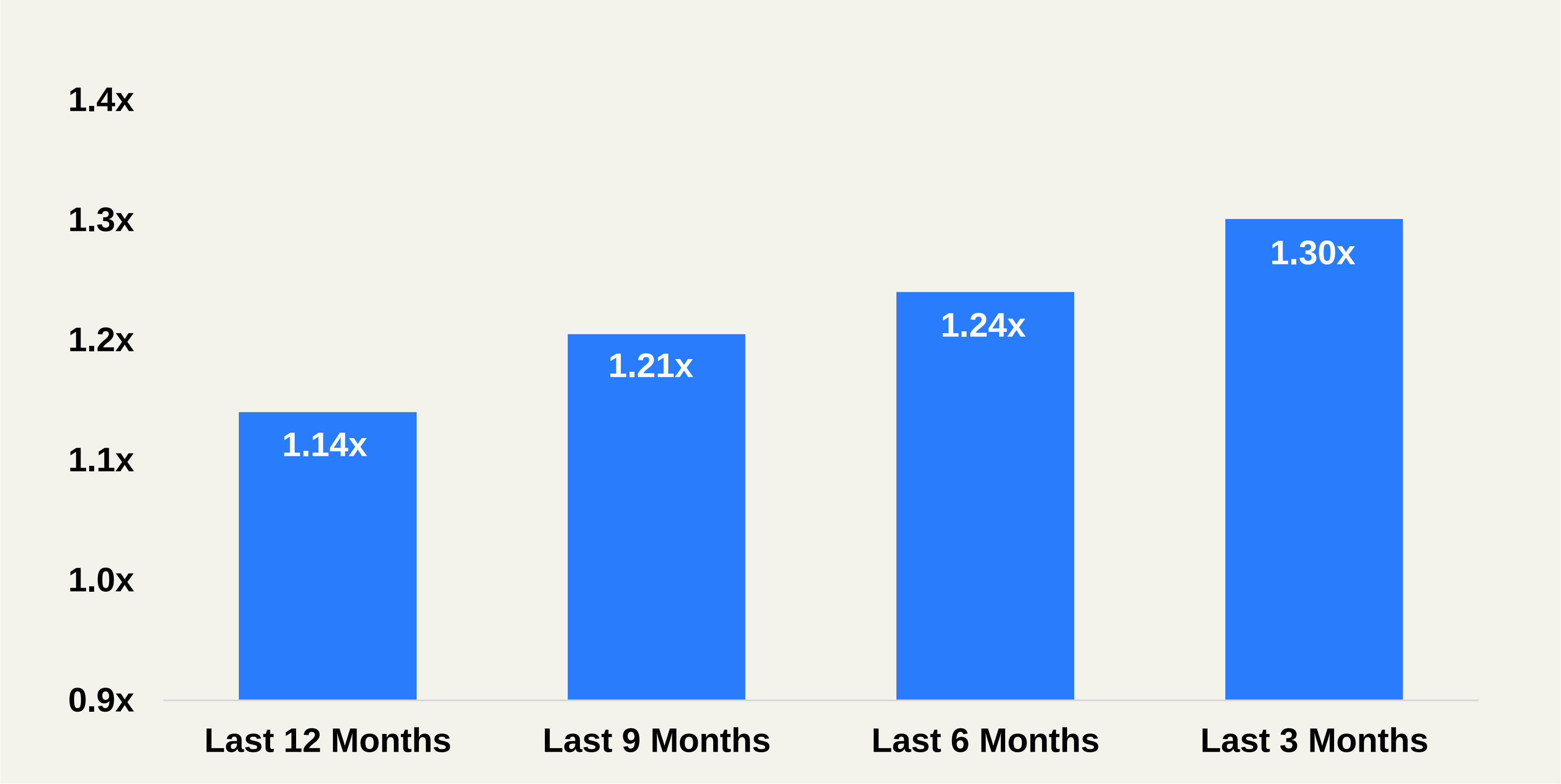
Dollars are at actual foreign exchange rates; LTM: Last twelve months; NTM: Next twelve months

(1) Backlog coverage is defined as R&D Solutions backlog at the end of the current quarter divided by R&D Solutions trailing twelve months revenue

Contracted Book-to-bill since 9/30/2016



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Year-to-date 2017 Profit

$M, except per share data

Adjusted EBITDA [1]	$953
Adjusted EBITDA Margin	24.6%
Net Income	$149
Diluted Earnings per Share	$0.65
Adjusted Net Income [1]	$480
Adjusted Diluted Earnings per Share [1]	$2.10

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Dollars are at actual foreign exchange rates

(1) See reconciliations of non-GAAP items in appendix

2nd Quarter 2017 Balance Sheet Items & Metrics

$M

Cash & Cash Equivalents	$902
Principal Balance of Debt (1)	$8,986
Gross Leverage Ratio (2)	4.5x
Net Leverage Ratio (2)	4.1x
Net Cash Provided by Operating Activities	$245
Capital Expenditures	$100
Free Cash Flow	$145

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Dollars are at actual foreign exchange rates
(1) Excludes $34 million of unamortized OID and debt issuance costs as of June 30, 2017
(2) Calculated using last twelve months Adjusted EBITDA for the combined company conformed to current methodology

Full-Year 2017 Guidance

$M, except per share data

	Current	Prior [2]
Revenue	8,000 – 8,100	8,000 – 8,100
Adjusted EBITDA	2,000 – 2,100	2,000 – 2,100
Adjusted Diluted EPS	**4.50 – 4.65**	*4.45 – 4.60*
Adjusted Book Tax Rate [1]	**~29%**	*~30%*
Adjusted Cash Tax Rate [1]	**~15%**	*~16%*

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Dollars are at actual foreign exchange rates, revenue does not include reimbursed expense revenue
Guidance assumes current exchange rates remain unchanged to the end of the year
(1) Adjusted Book Tax Rate is defined as adjusted book tax divided by adjusted pre-tax income; Adjusted Cash Tax Rate is defined as cash taxes divided by adjusted pre-tax income
(2) Provided on Q1 2017 earnings call

Q&A

Appendix

Net Income to Adjusted EBITDA

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

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Net Income	**$ 75**	**$ 111**	**$ 149**	**$ 261**
Provision for (benefit from) income taxes	(7)	44	5	107
Depreciation and amortization	245	120	477	239
Interest expense, net	80	68	153	139
(Income) loss in unconsolidated affiliates	(4)	4	(3)	2
Income from non-controlling interests	4	4	6	6
Deferred revenue purchase accounting adjustments	2	2	8	3
Stock-based compensation	27	18	53	34
Other expense (income), net	4	(1)	10	7
Loss on extinguishment of debt	-	-	3	-
Impairment charges	40	-	40	-
Restructuring and related charges	9	76	28	95
Acquisition related charges	7	10	18	23
Merger related charges	3	10	5	10
Adjusted EBITDA	**$ 486**	**$ 466**	**$ 953**	**$ 926**

Numbers may not add to total due to rounding

Net Income to Adjusted Net Income & Per Share Data

$M, except per share data

	Three Months Ended June 30, 2017		Six Months Ended June 30, 2017	
Net Income	**$**	**75**	**$**	**149**
Provision for (benefit from) income taxes		(7)		5
Purchase accounting amortization		183		360
(Income) loss in unconsolidated affiliates		(4)		(3)
Income from non-controlling interests		4		6
Deferred revenue purchase accounting adjustments		2		8
Stock-based compensation		27		53
Other expense (income), net		4		10
Loss on extinguishment of debt		-		3
Impairment charges		40		40
Royalty hedge gain/(loss)		3		7
Restructuring and related charges		9		28
Acquisition related charges		7		18
Merger related charges		3		5
Adjusted Pre Tax Income	**$**	**347**	**$**	**689**
Adjusted tax expense		(100)		(199)
Income from non-controlling interests		(4)		(6)
Minority interest effect in non-GAAP adjustments (1)		(2)		(5)
Adjusted Net Income	**$**	**242**	**$**	**480**
Adjusted earnings per share attributable to common stockholders:				
Basic	$	1.11	$	2.14
Diluted	$	1.09	$	2.10
Weighted average common shares outstanding:				
Basic		217.6		223.8
Diluted		222.3		228.6

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Numbers may not add to total due to rounding

(1) Reflects the portion of Q^2 Solutions' after-tax non-GAAP adjustments attributable to the minority interest partner.

Leverage Ratios

$M

Gross Debt as of June 30, 2017	**$**	8,986
Net Debt as of June 30, 2017	**$**	8,084
Adjusted EBITDA [(1)] for the twelve months ended June 30, 2017	**$**	1,983
Gross Leverage Ratio (Gross Debt/LTM Adjusted EBITDA)		4.5x
Net Leverage Ratio (Net Debt/LTM Adjusted EBITDA)		4.1x

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(1) LTM Adjusted EBITDA is for the combined company (assumes merger closed 1/1/2016) and recast to conform with current methodology