



QuintilesIMS™

QuintilesIMS

Q3 2016 Earnings Call

November 2, 2016

Legal

This presentation should be viewed in conjunction with QuintilesIMS's Q3 2016 earnings call

Safe Harbor Statement

This presentation includes “forward-looking statements”, including statements regarding future financial and operating results, especially those set forth under the heading “Q4 2016 Guidance.” The words “guidance,” “ongoing,” “believes,” “expects,” “may,” “will” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Forward-looking statements are not guarantees that the future results, plans, intentions or expectations expressed or implied will be achieved. Matters subject to forward-looking statements involve known and unknown risks and uncertainties, including regulatory, competitive and other factors, which may cause actual financial or operating results or the timing of events to be materially different than those expressed or implied by forward-looking statements. Important factors that could cause or contribute to such differences include, but are not limited to: 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 our combination with IMS Health 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 the other factors set forth in the “Risk Factors” sections included in Part I, Item 1A of Quintiles' and IMS Health's most recent annual report on Form 10-K on file with the SEC and any of their subsequent SEC filings. We disclaim any obligation to update any forward-looking statements as a result of developments occurring after the date of this presentation, even if estimates change, and you should not rely on those statements as representing our views as of any date subsequent to the date of this presentation.

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 Income from Operations, 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 Income from Operations, 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.

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Update: Merger and Integration



New Company

- Merger closed **October 3rd, 2016**

Flexible Capital Structure

- **3.7x leverage ratio**, strong balance sheet

Share Repurchase Authorization

- **\$1.5 billion**, expected by end of 2017

Cost Synergies Raised

- \$100 million to **\$200 million run-rate annual exiting 2019¹**

New Segments

- Commercial Solutions
- Research & Development Solutions
- Integrated Engagement Services

New Financial Measures

- Adjusted **EBITDA**
- Adjusted **Diluted EPS**

3rd Quarter Results



Revenue (\$M)

+7.5% @ AFx
+6.8% @ CFx

\$791



Q3 2016

\$735



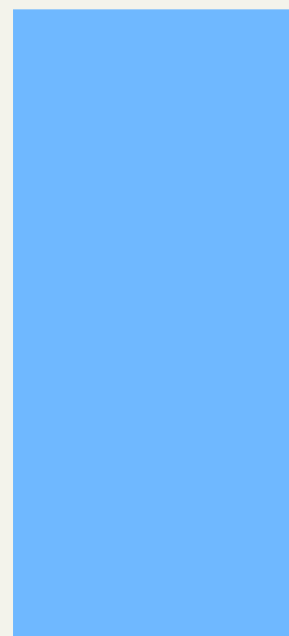
Q3 2015



Service Revenue (\$M)

+3.9% @ AFx
+3.6% @ CFx

\$1,136



Q3 2016

\$1,094



Q3 2015

3rd Quarter Revenue

imshealth™ Standalone

(\$ millions)	<u>Offering</u>	<u>3rd Quarter</u>		<u>Versus Prior Year</u>	
		2016	2015	Reported	Constant Currency
Information		\$381	\$373	2.1%	0.9%
Technology Services		\$410	\$362	13.0%	12.9%
Total		\$791	\$735	7.5%	6.8%

3rd Quarter Earnings

imshealth™ Standalone

(\$ millions, except per share data)	<u>3rd Quarter</u>		<u>Versus Prior Year</u>	
	2016	2015	Reported	Constant Currency
Adjusted EBITDA¹	\$238	\$218	9.0%	5.0%
Net Income	\$54	\$43	24.5%	6.5%
Diluted EPS	\$0.16	\$0.13	24.8%	6.7%
Adjusted Net Income¹	\$132	\$129	2.2%	4.7%
Adjusted Diluted EPS¹	\$0.39	\$0.38	2.5%	4.9%

New Research & Development Solutions Operating Metrics



Backlog Metrics - R&D Only

- R&D Solutions is a long-cycle business over multiple years
- Commercial and Integrated Engagement Services are shorter cycle businesses

Backlog - Contracted Basis

- More conservative, more accurate, less cancelations
- Better alignment with revenue conversion
- Tighter operational discipline

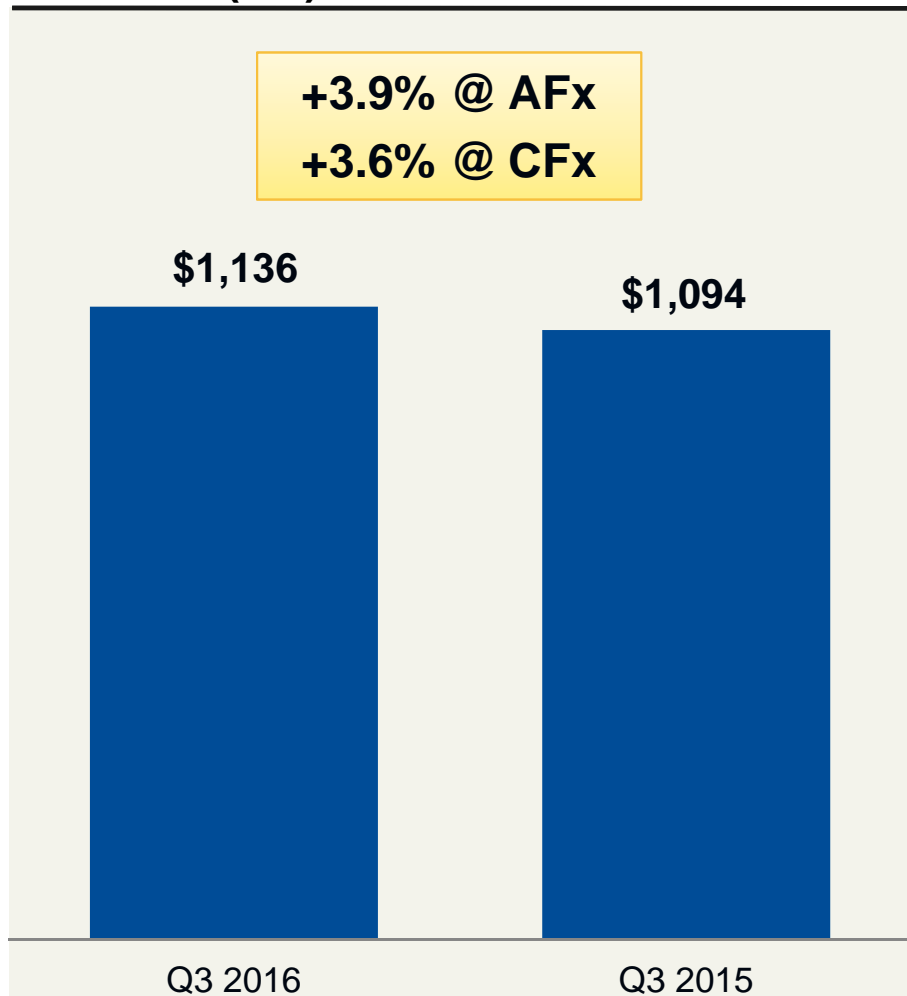
Backlog Reporting – LTM Only

- More representative of R&D Solutions business economics
- Eliminates short-term focus on a long-term metric, less volatility

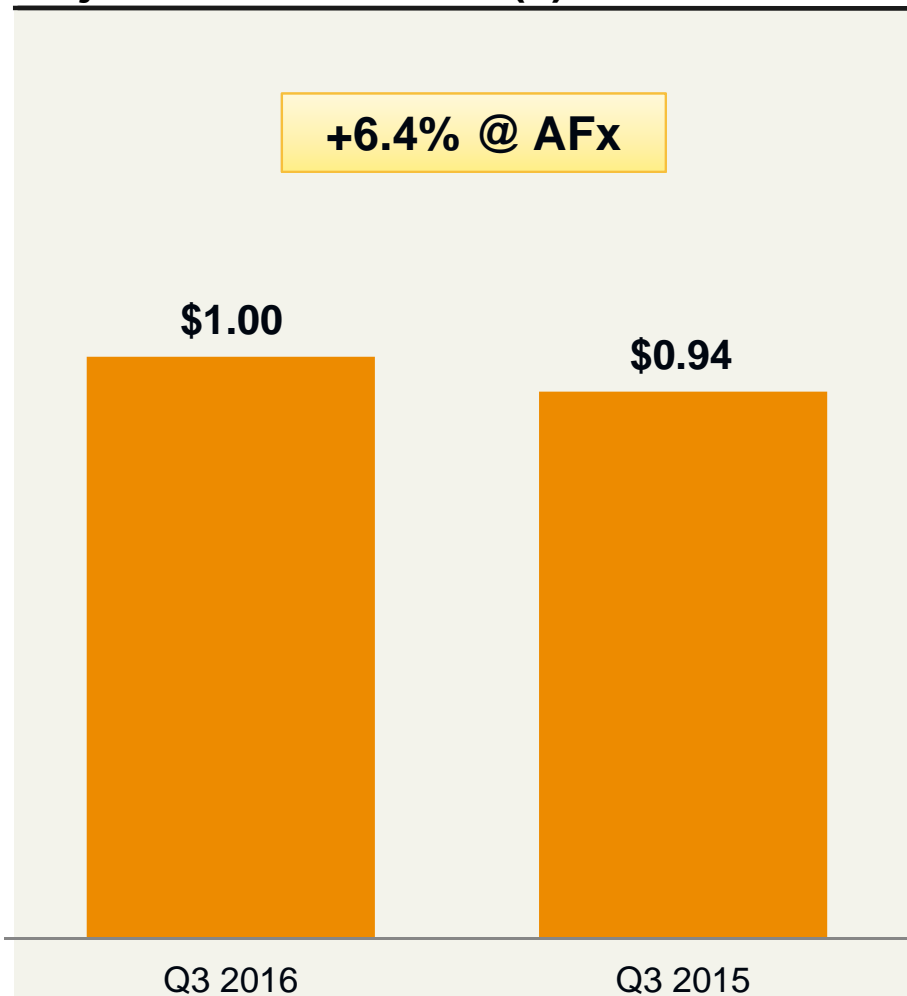
3rd Quarter Results



Revenue (\$M)



Adjusted Diluted EPS (\$)



Net New Business and Backlog on a Contracted Basis



(\$ billions)	<u>Last Twelve Months</u>			<u>As of 9/30/16</u>	<u>Next Twelve Months</u>
	Net New Business	Book-to-Bill	Backlog Coverage ¹	Backlog	Backlog Estimated to Convert to Revenue
Product Development	\$4.4	1.29	2.7x	\$9.4	~\$2.7

3rd Quarter Income



(\$ millions, except per share data)	<u>3rd Quarter</u>		<u>Versus</u> <u>Prior Year</u>
	2016	2015	Reported
Income from Operations	\$168	\$167	0.4%
Adjusted Income from Operations¹	\$199	\$179	11.2%
Net Income Attributable to Quintiles	\$99	\$111	(10.9)%
Diluted EPS	\$0.82	\$0.89	(7.9)%
Adjusted Net Income¹	\$121	\$118	2.5%
Adjusted Diluted EPS¹	\$1.00	\$0.94	6.4%

3rd Quarter Segment Performance

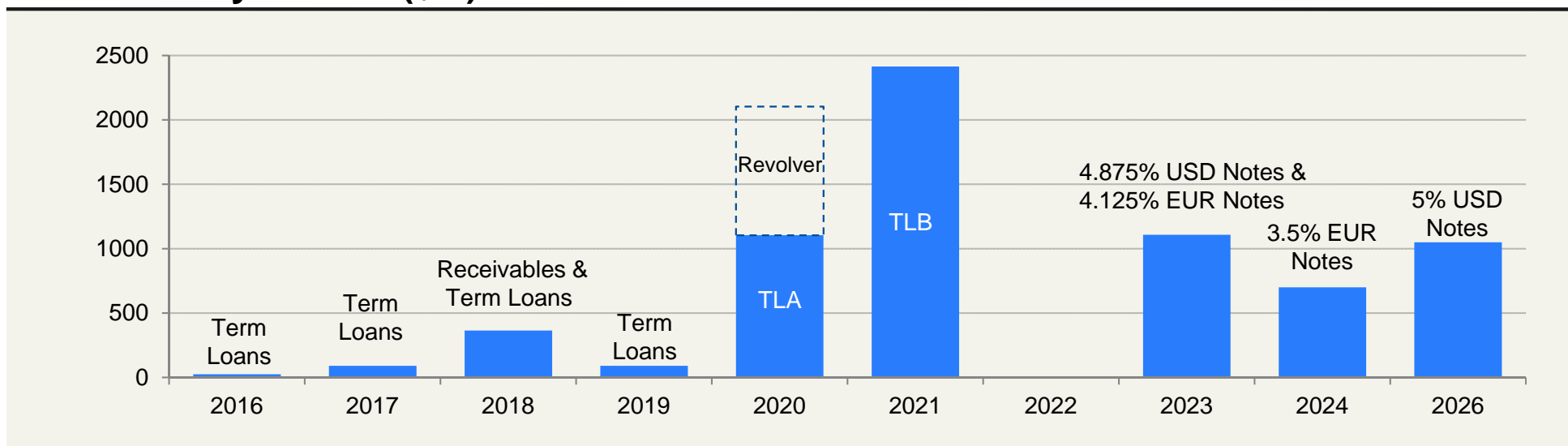


Segment (\$ millions)	3rd Quarter		Versus Prior Year	
	2016	2015	Reported	Constant Currency
Product Development				
Service Revenue	\$874	\$810	7.9%	8.6%
Income From Operations	\$207	\$181	14.1%	11.7%
Operating Margin	23.7%	22.4%	130 bps	60 bps
Integrated Healthcare Services				
Service Revenue	\$262	\$284	(7.5)%	(10.6)%
Income From Operations	\$23	\$24	(5.3)%	(18.4)%
Operating Margin	8.7%	8.5%	20 bps	(70) bps

New Capital Structure



Debt Maturity Ladder (\$M)



Metrics	Quintiles	IMS	QuintilesIMS
Total Debt/Adj. EBITDA ¹	2.9x	4.8x	3.7x
Net Debt/Adj. EBITDA ¹	1.8x	4.3x	2.9x
Weighted Avg. Interest Rate	3.8%	4.0%	4.1%

New Segments



New Segments

Commercial Solutions

- Substantially IMS legacy businesses plus Quintiles legacy Real World Late Phase, Payer/Provider and Advisory businesses

Research & Development Solutions

- Substantially Quintiles legacy Product Development segment

Integrated Engagement Services

- Substantially Quintiles legacy Contract Sales Organization

Non-GAAP Metrics



Net Income to Adjusted EBITDA & Net Income

Net Income

Provision for (benefit from) income taxes
(Income) loss in unconsolidated affiliates
(Income) loss in non-controlling interests
Interest expense, net
Depreciation and amortization
Other (income) expense, net
Deferred revenue purchase accounting adjustments
Stock-based compensation related charges
Restructuring and related charges
Merger and acquisition-related charges

Adjusted EBITDA

(Income) loss in non-controlling interests
Non-controlling interest effect on non-GAAP adjustments
Depreciation and amortization (operating)
Royalty hedge gain (loss)
Interest expense, net
Adjusted provision for (benefit from) income taxes

Adjusted Net Income

Net Income to Adjusted Net Income

Net Income

Provision for (benefit from) income taxes
(Income) loss in unconsolidated affiliates
Other (income) expense, net
Amortization associated with purchase accounting
Deferred revenue purchase accounting adjustments
Stock-based compensation related charges
Restructuring and related charges
Merger and acquisition-related charges
Royalty hedge gain (loss)

Adjusted Pre-Tax Income

Non-controlling interest effect on non-GAAP adjustments
Adjusted provision for (benefit from) income taxes

Adjusted Net Income

4th Quarter 2016 Revenue Guidance



<u>Segment Revenue</u> (\$ millions)	<u>Reported</u>
QuintilesIMS Revenue at Previous Guided FX Rates	\$2,030 - \$2,070
Deferred Revenue Adjustment¹	~\$(60)
Foreign Exchange Impact²	<u>~\$(20)</u>
QuintilesIMS Revenue Including Deferred Revenue Adjustment and Current FX³	\$1,950 - \$1,990
<i>Commercial Solutions³</i>	\$885 - \$900
<i>Research & Development Solutions³</i>	\$875 - \$895
<i>Integrated Engagement Services³</i>	\$190 - \$195

Dollars are at actual foreign exchange rates, revenue guidance excludes revenue from reimbursed expenses.

1. Revenue guidance includes an estimate for a non-cash accounting adjustment in connection with the merger that is expected to reduce the Commercial Solutions segment and QuintilesIMS fourth quarter 2016 revenue by approximately \$60 million. Under purchase accounting rules, a portion of IMS's deferred revenue, which would have otherwise been converted into revenue in future periods, must be eliminated. This estimate is subject to change upon completion of purchase accounting.
2. Revenue guidance also takes into account a \$20 million reduction in revenue due to changes in foreign exchange rates since IMS and Quintiles provided or implied standalone fourth quarter 2016 guidance on their respective earnings calls on July 27, 2016
3. Assumes current exchange rates remain unchanged to the end of the quarter

4th Quarter 2016 Guidance



(\$ millions, except per share data)	<u>Reported</u>
Adjusted EBITDA¹	\$500 - \$515
Adjusted Diluted EPS¹	\$1.04 - \$1.08
Adjusted Book Tax Rate^{1,2}	30% - 32%
Adjusted Cash Tax Rate^{1,2}	11% - 13%

Dollars are at actual foreign exchange rates, revenue guidance excludes revenue from reimbursed expenses.

1. Assumes current exchange rates remain unchanged to the end of the quarter
2. 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

QuintilesIMS Combined Metrics



(\$ millions)	<u>2016 Year-to-Date</u>		<u>2016 Q4</u>	<u>Full-Year</u>		
	IMS	Quintiles	QuintilesIMS Guidance ^{1,2,3}	QuintilesIMS 2016	QuintilesIMS 2015	Y/Y Growth
Revenue	\$2,367	\$3,412	\$1950 - \$1990	~\$7.7 billion	~\$7.2 billion	~7.0%
Adjusted EBITDA^{3,4}	\$712	\$703	\$500 - \$515	~\$1.9 billion	~\$1.7 billion	~11.5%

Dollars are at actual foreign exchange rates, does not include pass-through revenues

1. Revenue guidance includes an estimate for a non-cash accounting adjustment in connection with the merger that is expected to reduce the Commercial Solutions segment and QuintilesIMS fourth quarter 2016 revenue by approximately \$60 million. Under purchase accounting rules, a portion of IMS's deferred revenue, which would have otherwise been converted into revenue in future periods, must be eliminated. This estimate is subject to change upon completion of purchase accounting.
2. Revenue guidance also takes into account a \$20 million reduction in revenue due to changes in foreign exchange rates since IMS and Quintiles provided or implied standalone fourth quarter 2016 guidance on their respective earnings calls on July 27, 2016
3. Assumes current exchange rates remain unchanged to the end of the quarter
4. New Adjusted EBITDA measure, see reconciliations of non-GAAP items in appendix

Q&A

Appendix: QuintilesIMS

QuintilesIMS Combined Historical Non-GAAP Metrics



(\$ millions)	2015 Q4	2016 Q1	2016 Q2	2016 Q3	2016 Q4 Guidance ^{2,3,4}
Revenue¹	\$1,939	\$1,881	\$1,969	\$1,926	\$1,950 - \$1,990
Adjusted EBITDA⁵	\$463	\$460	\$466	\$489	\$500 - \$515

Dollars are at actual foreign exchange rates, does not include pass-through revenues

1. Excludes intercompany revenue of: Q4 2015 - \$1 M, Q1 2016 - \$1M, Q2 2016 - \$1 M, Q3 2016 - \$1 M
2. Revenue guidance includes an estimate for a non-cash accounting adjustment in connection with the merger that is expected to reduce the Commercial Solutions segment and QuintilesIMS fourth quarter 2016 revenue by approximately \$60 million. Under purchase accounting rules, a portion of IMS's deferred revenue, which would have otherwise been converted into revenue in future periods, must be eliminated. This estimate is subject to change upon completion of purchase accounting.
3. Revenue guidance also takes into account a \$25 million reduction in revenue due to changes in foreign exchange rates since IMS and Quintiles provided or implied standalone fourth quarter 2016 guidance on their respective earnings calls on July 27, 2016
4. Assumes current exchange rates remain unchanged to the end of the quarter
5. New Adjusted EBITDA measure, see reconciliations of non-GAAP items in appendix

Net Income to New Adjusted EBITDA: Q4 2015

(in millions)	Three Months Ended December 31, 2015		
	IMS Health	Quintiles	Combined
Net Income	\$ 29	\$ 105	\$ 134
Provision for (benefit from) income taxes	19	51	70
(Income) loss in unconsolidated affiliates	-	3	3
Deferred revenue purchasing accounting adjustments	4	-	4
Depreciation and amortization	77	35	113
Stock-based compensation	7	9	16
Other income (expense), net	(3)	(1)	(5)
Impairment charges	-	2	3
Interest expense, net	43	25	69
Currency conversion	-	(5)	(5)
Restructuring and related charges	38	7	45
Acquisition related charges	18	-	18
Merger related charges	-	-	-
Adjusted EBITDA	\$ 232	\$ 231	\$ 463

Net Income to New Adjusted EBITDA: Q1 2016

(in millions)	Three Months Ended March 31, 2016		
	IMS Health	Quintiles	Combined
Net Income	\$ 43	\$ 107	\$ 150
Provision for (benefit from) income taxes	20	43	63
(Income) loss in unconsolidated affiliates	-	-	-
Deferred revenue purchasing accounting adjustments	1	-	1
Depreciation and amortization	87	32	119
Stock-based compensation	7	9	16
Other income (expense), net	5	-	5
Impairment charges	-	-	-
Interest expense, net	45	25	71
Currency conversion	-	4	4
Restructuring and related charges	16	3	19
Acquisition related charges	12	1	13
Merger related charges	-	-	-
Adjusted EBITDA	\$ 236	\$ 224	\$ 460

Net Income to New Adjusted EBITDA: Q2 2016

(in millions)	Three Months Ended June 30, 2016		
	IMS Health	Quintiles	Combined
Net Income	\$ 24	\$ 87	\$ 111
Provision for (benefit from) income taxes	7	37	44
(Income) loss in unconsolidated affiliates	-	8	8
Deferred revenue purchasing accounting adjustments	2	-	2
Depreciation and amortization	88	32	120
Stock-based compensation	8	10	18
Other income (expense), net	2	(1)	1
Impairment charges	-	-	-
Interest expense, net	46	22	68
Currency conversion	-	(2)	(2)
Restructuring and related charges	51	25	76
Acquisition related charges	9	1	10
Merger related charges	1	9	10
Adjusted EBITDA	\$ 238	\$ 228	\$ 466

Net Income to New Adjusted EBITDA: Q3 2016

(in millions)	Three Months Ended September 30, 2016		
	IMS Health	Quintiles	Combined
Net Income	\$ 54	\$ 99	\$ 153
Provision for (benefit from) income taxes	13	38	52
(Income) loss in unconsolidated affiliates	-	4	5
Deferred revenue purchasing accounting adjustments	2	-	2
Depreciation and amortization	89	35	124
Stock-based compensation	8	16	24
Other income (expense), net	-	-	-
Impairment charges	-	28	28
Interest expense, net	48	24	72
Currency conversion	-	4	4
Restructuring and related charges	10	(1)	10
Acquisition related charges	7	-	7
Merger related charges	7	4	11
Adjusted EBITDA	\$ 238	\$ 251	\$ 489

Appendix: Quintiles

Year-to-date Financial Highlights



(\$ millions, except per share data)	<u>Year-to-Date</u>		<u>Versus</u> <u>Prior Year</u>
	2016	2015	Reported
Income from Operations	\$3,187	\$3,832	(16.9)%
Adjusted Income from Operations¹	\$497	\$469	6.1%
Net Income Attributable to Quintiles	\$648	\$594	9.1%
Diluted EPS	\$293	\$283	3.5%
Adjusted Net Income¹	\$2.41	\$2.24	7.6%
Adjusted Diluted EPS¹	\$341	\$308	11.0%
Income from Operations	\$2.81	\$2.43	15.6%

Year-to-date Segment Performance



(\$ millions)	<u>Year-to-Date</u>		<u>Versus Prior Year</u>	
	2016	2015	Reported	Constant Currency
Product Development				
Service Revenue	\$2,602	\$2,346	10.9%	11.4%
Income From Operations	\$583	\$515	13.3%	7.2%
Operating Margin	22.4%	21.9%	50 bps	(80) bps
Integrated Healthcare Services				
Service Revenue	\$810	\$852	(5.0)%	(6.6)%
Income From Operations	\$67	\$61	9.3%	(1.3)%
Operating Margin	8.2%	7.1%	110 bps	40 bps

Constant Currency Reconciliation



(in millions)	<i>Three Months Ended September 30</i>			<i>Year on Year Growth</i>		
	Actual	Exchange Impact	Constant	Actual	Exchange Impact	Constant
Consolidated						
Service Revenue	\$ 1,136.4	\$ 3.5	\$ 1,132.9	3.9%	0.3%	3.6%
Income from Operations	\$ 167.8	\$ 8.4	\$ 159.4	0.4%	5.0%	(4.6%)
Income from Operations Margin	14.8%		14.1%			
Adjusted Income from Operations	\$ 199.0	\$ 8.3	\$ 190.7	11.2%	4.7%	6.5%
Adjusted Income from Operations Margin	17.5%		16.8%			
Product Development						
Service Revenue	\$ 874.3	\$ (5.3)	\$ 879.6	7.9%	(0.7%)	8.6%
Income from Operations	\$ 206.9	\$ 4.3	\$ 202.6	14.1%	2.4%	11.7%
Income from Operations Margin	23.7%		23.0%			
Integrated Healthcare Services						
Service Revenue	\$ 262.1	\$ 8.8	\$ 253.3	(7.5%)	3.1%	(10.6%)
Income from Operations	\$ 22.8	\$ 3.2	\$ 19.6	(5.3%)	13.1%	(18.4%)
Income from Operations Margin	8.7%		7.8%			
Consolidated						
	<i>Nine Months Ended September 30</i>			<i>Year on Year Growth</i>		
Service Revenue	\$ 3,411.5	\$ 2.3	\$ 3,409.2	6.7%	0.1%	6.6%
Income from Operations	\$ 497.3	\$ 40.3	\$ 457.0	6.1%	8.6%	(2.5%)
Income from Operations Margin	14.6%		13.4%			
Adjusted Income from Operations	\$ 565.7	\$ 39.9	\$ 525.8	14.9%	8.1%	6.8%
Adjusted Income from Operations Margin	16.6%		15.4%			
Product Development						
Service Revenue	\$ 2,601.9	\$ (11.2)	\$ 2,613.1	10.9%	(0.5%)	11.4%
Income from Operations	\$ 583.2	\$ 31.2	\$ 552.0	13.3%	6.1%	7.2%
Income from Operations Margin	22.4%		21.1%			
Integrated Healthcare Services						
Service Revenue	\$ 809.6	\$ 13.5	\$ 796.1	(5.0%)	1.6%	(6.6%)
Income from Operations	\$ 66.5	\$ 6.5	\$ 60.0	9.3%	10.6%	(1.3%)
Income from Operations Margin	8.2%		7.5%			

Contractual Revenue Currency Mix and Foreign Exchange Analysis



Consolidated Service Revenues (in millions)

Time Period	USD	Sterling	Euro	Yen	Other ¹	Total
3Q '16	\$746.2	\$75.2	\$161.6	\$114.5	\$38.9	\$1,136.4
% of total	66%	7%	14%	10%	3%	100%
3Q '15	\$747.2	\$68.5	\$145.7	\$94.4	\$37.7	\$1,093.5
% of total	68%	6%	14%	9%	3%	100%
YTD 2016	\$2,296.0	\$199.6	\$474.6	\$325.2	\$116.1	\$3,411.5
% of total	67%	6%	14%	10%	3%	100%
YTD 2015	\$2,159.4	\$205.5	\$426.2	\$293.3	\$113.4	\$3,197.8
% of total	68%	6%	13%	9%	4%	100%
3Q '16 Average Rate		\$1.31	\$1.12	¥102.35		
3Q '15 Average Rate		\$1.55	\$1.11	¥122.17		
% Increase (Decrease)		(15.3%)	0.3%	19.4%		
YTD '16 Average Rate		\$1.39	\$1.12	¥108.52		
YTD '15 Average Rate		\$1.53	\$1.12	¥120.87		
% Increase (Decrease)		(9.1%)	0.1%	11.4%		

Net Income to Adjusted Net Income



Three Months Ended September 30 th (in millions)	2016		2015	
	Income from Operations	Net Income Attributable to Quintiles	Income from Operations	Net Income Attributable to Quintiles
Reported	\$ 167.8	\$ 99.2	\$ 167.0	\$ 111.3
Restructuring Costs	(0.5)	(0.5)	12.0	12.0
Merger Related Costs	3.7	3.7	-	-
Adjustment to Estimated Contingent Consideration	-	-	-	0.1
Impairment Charges	27.9	27.9	-	-
Loss on Extinguishment of Debt	-	-	-	-
Non-controlling Interests Effect of Non-GAAP Adjustments ¹	-	0.8	-	(2.3)
Tax Effect of Adjustments ²	-	(10.6)	-	(3.5)
Adjusted Non-GAAP Basis	\$ 199.0	\$ 120.6	\$ 179.0	\$ 117.6
% of Service Revenues	17.5%	17.5%	16.4%	10.9%
Nine Months Ended September 30 th (in millions)	2016		2015	
	Income from Operations	Net Income Attributable to Quintiles	Income from Operations	Net Income Attributable to Quintiles
Reported	\$ 497.3	\$ 292.6	\$ 468.6	\$ 282.6
Restructuring Costs	27.8	27.8	23.5	23.5
Merger Related Costs	12.7	12.7	-	-
Adjustment to Estimated Contingent Consideration	-	-	-	6.0
Impairment Charges	27.9	27.9	-	-
Loss on Extinguishment of Debt	-	-	-	7.8
Non-controlling Interests Effect of Non-GAAP Adjustments ¹	-	(0.4)	-	(2.3)
Tax Effect of Adjustments ²	-	(19.2)	-	(10.1)
Adjusted Non-GAAP Basis	\$ 565.7	\$ 341.4	\$ 492.2	\$ 307.5
% of Service Revenues	16.6%	10.0%	15.4%	9.6%

Totals may not sum due to rounding; percentages are calculated from the actual results rounded to the nearest thousand

1. Reflects the portion of Q² Solutions' after-tax non-GAAP adjustments attributable to the minority interest partner
2. The tax effect of adjustments was based on the income tax rate of the respective transactions, which was 38.5%, with the exception of i) restructuring costs were tax effected at 29.1% and 29.2% during the three months ended September 30, 2016 and 2015, respectively, and 115.1% and 30.3% during the nine months ended September 30, 2016 and 2015, respectively and ii) contingent consideration and the majority of merger related costs are not tax effected as they represent a permanent difference between book and tax income.

Net Income to Adjusted EBITDA



(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net Income	\$ 99.2	\$ 111.3	\$ 292.6	\$ 282.6
Interest Expense, Net	23.8	24.3	70.8	72.8
Income Tax Expense	38.5	40.2	117.9	108.0
Depreciation and Amortization	34.6	32.9	98.4	93.2
Restructuring Costs	(0.5)	12.0	27.8	23.5
Merger Related Costs	3.7	-	12.7	-
Impairment Charges	27.9	-	27.9	-
Loss on Extinguishment of Debt	-	-	-	7.8
Adjustment to Estimated Contingent Consideration	-	-	-	6.0
Adjusted EBITDA	\$ 227.3	\$ 220.7	\$ 648.1	\$ 593.9
% of Service Revenues	20.0%	20.2%	19.0%	18.6%

Totals may not sum due to rounding; percentages are calculated from the actual results rounded to the nearest thousand

Net Income to Adjusted Net Income



(in millions)	Three Months Ended September 30,				Nine Months Ended September 30,			
	2016	EPS ¹	2015	EPS ¹	2016	EPS ¹	2015	EPS ¹
Net Income	\$ 99.2	0.82	\$ 111.3	0.89	\$ 292.6	2.41	\$ 282.6	2.24
Restructuring Costs	(0.5)	-	12.0	0.10	27.8	0.23	23.5	0.19
Merger Related Costs	3.7	0.03	-	-	12.7	0.10	-	-
Impairment Charges	27.9	0.23	-	-	27.9	0.23	-	-
Loss on Extinguishment of Debt	-	-	-	-	-	-	7.8	0.06
Adjustment to Estimated Contingent Consideration ²	-	-	0.1	-	-	-	6.0	0.05
Non-controlling Interests Effect of Non-GAAP Adjustments ³	0.8	0.01	(2.3)	(0.02)	(0.4)	-	(2.3)	(0.02)
Tax Effect of Adjustments ⁴	(10.6)	(0.09)	(3.5)	(0.03)	(19.2)	(0.16)	(10.1)	(0.08)
Adjusted Net Income	\$ 120.6	1.00	\$ 117.6	0.94	\$ 341.4	2.81	\$ 307.5	2.43
Number of Diluted Shares Outstanding ⁵		121.2		125.3		121.4		126.4

Totals may not sum due to rounding; percentages are calculated from the actual results rounded to the nearest thousand

1. EPS is represented in whole dollars
2. Change in estimated fair value of contingent consideration on business combinations
3. Reflects the portion of Q² Solutions' after-tax non-GAAP adjustments attributable to the minority interest partner
4. The tax effect of adjustments was based on the income tax rate of the respective transactions, which was 38.5%, with the exception of i) restructuring costs were tax effected at 29.1% and 29.2% during the three months ended September 30, 2016 and 2015, respectively, and 115.1% and 30.3% during the nine months ended September 30, 2016 and 2015, respectively and ii) contingent consideration and the majority of merger related costs are not tax effected as they represent a permanent difference between book and tax income.
5. Diluted shares are represented in millions

Appendix: IMS

Other P&L and Cash Flow Metrics

imshealth™ Standalone

(\$ millions)	<u>3rd Quarter</u>		<u>Versus Prior Year</u>
	2016	2015	Reported
Q3 Operating Income	\$115	\$89	29.1%
Q3 YTD Operating Income	\$307	\$276	11.3%
Q3 Net Cash Provided by Operating Activities	\$167	\$111	50.1%
Q3 YTD Net Cash Provided by Operating Activities	\$263	\$326	(19.4)%

Year-to-date Revenue

imshealth™ Standalone

Offering (\$ millions)	Year-to-date		Versus Prior Year	
	2016	2015	Reported	Constant Currency
Information	\$1,140	\$1,101	3.5%	4.0%
Technology Services	\$1,227	\$1,008	21.7%	22.4%
Total	\$2,367	\$2,109	12.2%	12.8%

Year-to-date Earnings

imshealth™ Standalone

(\$ millions, except per share data)	<u>Year-to-date</u>		<u>Versus Prior Year</u>	
	2016	2015	Reported	Constant Currency
Adjusted EBITDA¹	\$712	\$654	8.8%	7.0%
Net Income	\$121	\$388	(68.9)%	(72.4)%
Diluted EPS	\$0.36	\$1.14	(68.4)%	(72.0)%
Adjusted Net Income¹	\$411	\$390	5.3%	8.8%
Adjusted Diluted EPS¹	\$1.22	\$1.15	6.8%	10.4%

Balance Sheet Metrics

imshealth™ Standalone

(\$ millions)	September 30, 2016	December 31, 2015
Current Assets	\$2,781	\$1,092
Total Assets	\$9,613	\$7,459
Current Liabilities	\$1,062	\$1,033
Total Liabilities	\$7,767	\$5,887

Net Income to Adjusted EBITDA

imshealth™ Standalone

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net Income	\$ 54	\$ 43	\$ 121	\$ 388
Provision for (benefit from) income taxes	13	8	40	(219)
Other (income) loss, net	—	(6)	7	(16)
Interest expense	48	44	141	124
Interest income	—	—	(2)	(1)
Depreciation and amortization	89	87	264	264
Deferred revenue purchase accounting adjustments	2	3	5	6
Stock-based compensation related charges ¹	8	7	23	21
Restructuring and related charges ²	10	18	77	53
Merger and acquisition-related charges ³	14	14	36	33
Secondary offering expenses	—	—	—	1
Adjusted EBITDA	\$ 238	\$ 218	\$ 712	\$ 654
Depreciation and amortization	(35)	(34)	(103)	(103)
Interest expense, net	(48)	(44)	(139)	(123)
Royalty hedge gain (loss)	(2)	7	(3)	20
Cash tax payments, net of refunds ⁴	(21)	(18)	(56)	(58)
Adjusted Net Income	\$ 132	\$ 129	\$ 411	\$ 390

1. Stock-based compensation related charges are included in Operating costs of information, Direct and incremental costs of technology services and Selling and administrative expenses as follows:

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Operating costs of information	\$ 2	\$ 1	\$ 5	\$ 2
Direct and incremental costs of technology services	—	1	1	2
Selling and administrative expenses	6	5	17	17

2. Restructuring and related charges includes severance and impairment charges and the cost of employee and third-party charges related to dual running costs for knowledge transfer activities. Dual running costs for knowledge transfer activities of less than \$1 million for both the three months ended September 30, 2016 and 2015 and less than \$1 million and \$2 million for the nine months ended September 30, 2016 and 2015, respectively, are included primarily in Operating costs of information and Selling and administrative expenses.
3. Merger and acquisition-related charges are included primarily in Selling and administrative expenses
4. IMS historically presented Adjusted Net Income on a cash tax basis as it believes this presentation better reflects the Company's utilization of its existing assets to generate income as it expects its deferred tax assets to be available to offset U.S. taxable income for the foreseeable future.

Net Income to Adjusted Net Income & Per Share Data



(in millions, except per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net Income	\$ 54	\$ 43	\$ 121	\$ 388
Provision for (benefit from) income taxes	13	8	40	(219)
Amortization associated with purchase accounting	54	53	161	161
Deferred revenue purchasing accounting adjustments	2	3	5	6
Stock-based compensation-related charges ¹	8	7	23	21
Restructuring and related charges ²	10	18	77	53
Merger and acquisition-related charges ³	14	14	36	33
Secondary offering expenses	—	—	—	1
Other (income) loss, net	—	(6)	7	(16)
Adjusted Pre Tax Income	\$ 155	\$ 140	\$ 470	\$ 428
Royalty hedge gain (loss)	(2)	7	(3)	20
Cash tax payments, net of refunds ⁴	(21)	(18)	(56)	(58)
Adjusted Net Income	\$ 132	\$ 129	\$ 411	\$ 390

Adjusted Earnings per Share Attributable to Common Shareholders:

Basic	\$ 0.40	\$ 0.39	\$ 1.25	\$ 1.18
Diluted	\$ 0.39	\$ 0.38	\$ 1.22	\$ 1.15

Weighted-Average Common Shares Outstanding:

Basic	328.5	328.5	328.6	331.9
Diluted	335.4	336.1	335.6	340.4

1. Stock-based compensation charges are included in Operating costs of information, Direct and incremental costs of technology services and Selling and administrative expenses as follows:

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Operating costs of information	\$ 2	\$ 1	\$ 5	\$ 2
Direct and incremental costs of technology services	—	1	1	2
Selling and administrative expenses	6	5	17	17

2. Restructuring and related charges includes severance and impairment charges and the cost of employee and third-party charges related to dual running costs for knowledge transfer activities. Dual running costs for knowledge transfer activities of less than \$1 million for both the three months ended September 30, 2016 and 2015 and less than \$1 million and \$2 million for the nine months ended September 30, 2016 and 2015, respectively, are included primarily in Operating costs of information and Selling and administrative expenses.
3. Merger and acquisition-related charges are included primarily in Selling and administrative expenses.



4. IMS historically presented Adjusted Net Income on a cash tax basis as it believes this presentation better reflects the Company's utilization of its existing assets to generate income as it expects its deferred tax assets to be available to offset U.S. taxable income for the foreseeable future.