

# First Quarter 2015 Earnings Call

April 29, 2015



# Forward Looking Statements and Use of Non-GAAP Financial Measures

*This presentation contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements reflect, among other things, the Company's current expectations and anticipated results of operations, all of which are subject to known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements, market trends or industry results to differ materially from those expressed or implied by such forward-looking statements. Therefore, any statements contained herein that are not statements of historical fact may be forward-looking statements and should be evaluated as such. Without limiting the foregoing, the words "anticipates," "believes," "estimates," "expects," "intends," "may," "plans," "projects," "should," "guidance," "targets," "will" and the negative thereof and similar words and expressions are intended to identify forward-looking statements. Actual results may differ materially from the Company's expectations due to a number of factors, including, but not limited to, that most of the Company's contracts may be terminated on short notice, the Company may be unable to maintain large customer contracts or to enter into new contracts, the Company may under-price its contracts, overrun its cost estimates, or fail to receive approval for or experience delays in documenting change orders, the historical indications of the relationship of backlog to revenues may not be indicative of their future relationship, the Company is subject to the complex and changing regulatory and international environments in which the Company operates, the Company may be unable to successfully identify, acquire and integrate businesses, the Company's substantial indebtedness, and other risks more fully set forth in the Company's filings with the SEC, including the Company's annual report on Form 10-K for the fiscal year ended December 31, 2014, as such factors may be amended or updated from time to time in the Company's periodic filings with the SEC, which are accessible on the SEC's website at [www.sec.gov](http://www.sec.gov). The Company assumes no obligation to update any forward-looking statement after the date of this presentation, whether as a result of new information, future developments or otherwise.*

*This presentation includes financial measures not prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). Management believes that these non-GAAP financial measures provide useful supplemental information to management and investors regarding the underlying performance of the Company's business operations and are more indicative of core operating results as they exclude certain items whose fluctuations from period-to-period do not necessarily correspond to changes in the core operations of the Company's business. Investors and potential investors are encouraged to review the reconciliations of the non-GAAP financial measures to their most directly comparable GAAP measures attached to this presentation.*

# First Quarter 2015 Overview

- ✓ 10.5% net new business growth at constant currency
- ✓ 8.4% constant currency service revenue growth
- ✓ \$0.72 diluted adjusted earnings per share
- ✓ \$300 million expansion of existing equity repurchase program

	Three Months Ended March 31, 2015	
	Net New Business <i>(billions of dollars)</i>	Book-to-Bill
Product Development	\$1.09	1.45x
Integrated Healthcare Services	\$0.26	0.93x
Total	\$1.35	1.31x

# Financial Highlights and Other Metrics

<i>(millions of dollars)</i>	Three Months Ended March 31		
	2015	2014	Change
Net New Business	\$ 1,346.0	\$ 1,274.0	5.6%
Service Revenues	\$ 1,030.0	\$ 1,005.3	2.5%
Adjusted Income from Operations	\$ 148.5	\$ 142.3	4.4%
Adjusted Income from Operations Margin	14.4%	14.2%	20 bps
Adjusted EBITDA	\$ 178.9	\$ 171.4	4.4%
Adjusted Net Income Attributable to Quintiles	\$ 91.2	\$ 90.9	0.4%
Diluted Adjusted EPS <sup>1</sup>	\$ 0.72	\$ 0.68	5.9%

## First Quarter 2015 Highlights

- ✓ 8.4% constant currency service revenue growth and 2.5% at actual exchange rates
- ✓ Service mix change with higher contribution from IHS segment
- ✓ IHS segment service revenue growth of 29.3% at constant currency and 19.6% at actual exchange rates
- ✓ 20 basis points of expansion in adjusted income from operations margin
- ✓ 5.9% increase in diluted adjusted earnings per share

<sup>1</sup> Diluted Adjusted EPS is represented in dollars.

Reconciliations of the non-GAAP measures adjusted income from operations, adjusted income from operations margin, adjusted EBITDA, adjusted net income attributable to Quintiles, and diluted adjusted earnings per share to the corresponding GAAP measures are attached in the Supplemental Information section of this presentation.

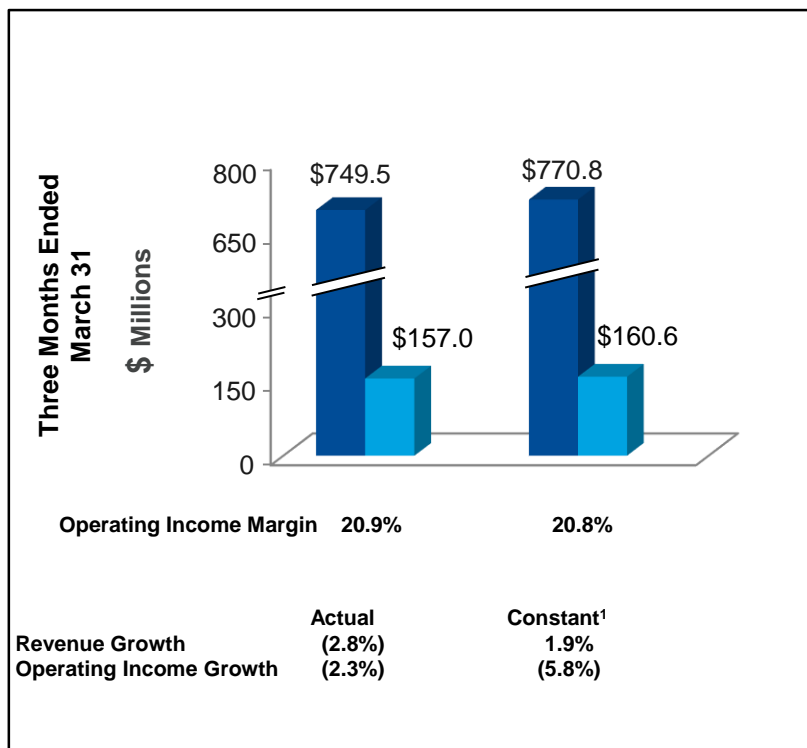
# Segment Performance

Service Revenues and Income from Operations

## Product Development

2015

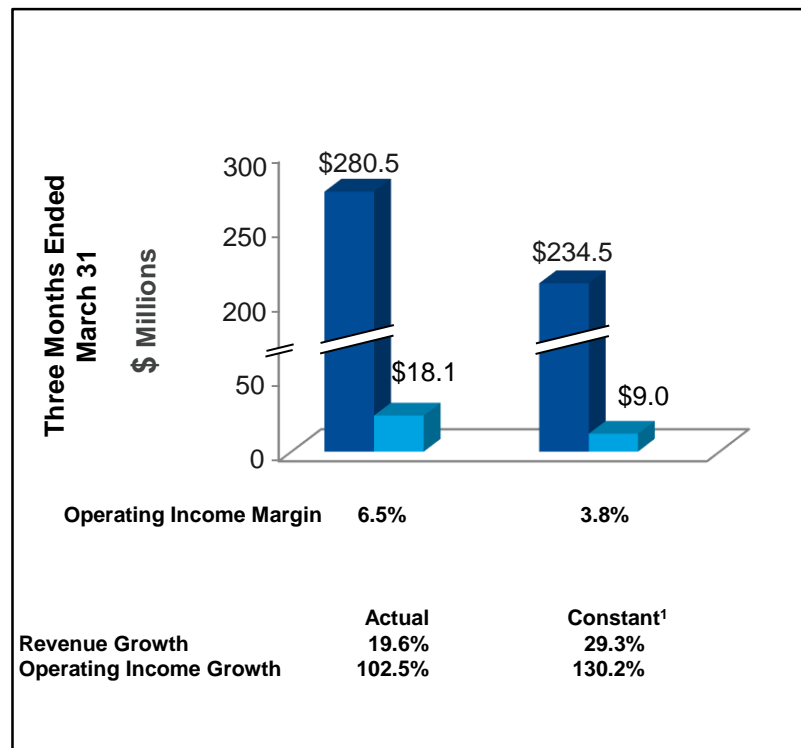
2014



## Integrated Healthcare Services

2015

2014



Revenues ■ Operating Income ■

Certain costs are not allocated to the Company's segments and are reported as general corporate and unallocated expenses. These costs primarily consist of share-based compensation and expenses for corporate overhead functions such as finance, human resources, information technology, facilities and legal. The Company does not allocate restructuring or impairment charges to its segments.

<sup>1</sup>The constant currency calculation is provided in the Supplemental Information section of this presentation.

# 2015 Updated Guidance

Updated Constant Currency Service Revenue growth range of 7.0% to 8.0%

- Product Development revenue ramp slower than expected for first half of 2015
- Estimated 520 basis points of unfavorable foreign exchange at actual rates<sup>1</sup>

Diluted Adjusted Earnings per share range of \$3.02 to \$3.13<sup>1</sup>

- 12% to 16% year over year growth range at forecasted exchange rates

Annual Effective Income Tax Rate of approximately 29.5%

This financial guidance assumes the end of March foreign currency exchange rates stay in effect for the remainder of the year and does not reflect the impact of any future equity repurchases or the pending clinical laboratory joint venture with Quest Diagnostics.

<sup>1</sup> A reconciliation of forecasted diluted adjusted earnings per share to diluted GAAP net income per share is provided in the Supplemental Information section of this presentation.

# Summary

## 1 Good start to 2015

- ✓ Market remains strong
- ✓ Strong bookings with favorable mix in Product Development in the first quarter
- ✓ Continued strength in Real World Late Phase business
- ✓ Announcement of Quintiles and Quest Global Clinical Laboratory Services Joint Venture
- ✓ \$300 million expansion of existing equity repurchase program

## 2 Recognitions during the quarter

- ✓ Named to Fortune's "World's Most Admired Companies"
- ✓ Named to Forbes' "America's Best Employers" list
- ✓ Named "Best CRO" at World Vaccine Congress



# *Supplemental Information*

Constant Currency Reconciliation

Contractual Revenue Currency Mix and Foreign Exchange Analysis

Income Statement Non-GAAP Reconciliation

Adjusted EBITDA Reconciliation

Adjusted Net Income and EPS Reconciliation

Non-GAAP 2015 Guidance Reconciliation



# Constant Currency Reconciliation

## Service Revenues and Income from Operations

<i>(millions of dollars)</i>	Three Months Ended March 31			Year on Year Growth		
	Actual	Exchange Impact	Constant	Actual	Exchange Impact	Constant
<b>Consolidated</b>						
Service Revenues	\$ 1,030.0	\$ (59.0)	\$ 1,089.0	2.5%	(5.9%)	8.4%
Income from Operations	\$ 143.2	\$ 4.4	\$ 138.8	1.3%	3.1%	(1.8%)
Adjusted Income from Operations	\$ 148.5	\$ 4.0	\$ 144.5	4.4%	2.8%	1.6%
Adjusted Income from Operations Margin	14.4%		13.3%			
<b>Product Development</b>						
Service Revenues	\$ 749.5	\$ (36.2)	\$ 785.7	(2.8%)	(4.7%)	1.9%
Income from Operations	\$ 157.0	\$ 5.6	\$ 151.4	(2.3%)	3.5%	(5.8%)
Income from Operations Margin	20.9%		19.3%			
<b>Integrated Healthcare Services</b>						
Service Revenues	\$ 280.5	\$ (22.8)	\$ 303.3	19.6%	(9.7%)	29.3%
Income from Operations	\$ 18.1	\$ (2.5)	\$ 20.6	102.5%	(27.7%)	130.2%
Income from Operations Margin	6.5%		6.8%			

The exchange rate impacts on service revenues equals the current period service revenues at actual rates less the current period service revenues for foreign currency denominated contracts recalculated at the prior period exchange rates. The exchange rate impacts on expenses equals the current period expenses at actual rates less the current period expenses recalculated at the prior period exchange rates.

The segment detail presented above excludes general corporate and unallocated expenses and restructuring costs.

# Contractual Revenue Currency Mix and Foreign Exchange Analysis

<i>Consolidated Service Revenues (millions of dollars)</i>						
	<b>USD</b>	<b>Sterling</b>	<b>Euro</b>	<b>Yen</b>	<b>Other<sup>1</sup></b>	<b>Total</b>
<b>1Q '15</b> <i>% of total</i>	\$678.0 66%	\$68.8 7%	\$145.5 14%	\$99.9 10%	\$37.8 3%	\$1,030.0 100%
<b>1Q '14</b> <i>% of total</i>	\$595.8 59%	\$91.8 9%	\$188.5 19%	\$102.7 10%	\$26.5 3%	\$1,005.3 100%
<b>1Q '15 Average Rate</b>		\$1.52	\$1.13	¥119.13		
<b>1Q '14 Average Rate</b>		\$1.66	\$1.37	¥102.77		
<b>% Increase (Decrease)</b>		(8.4%)	(17.7%)	(13.7%)		

<sup>1</sup> Other includes a mix of more than 40 currencies.

# Income Statement

## GAAP – Non-GAAP Reconciliation

Three Months Ended March 31 (millions of dollars)	2015			2014		
	Selling, General and Administrative	Income from Operations	Net Income Attributable to Quintiles	Selling, General and Administrative	Income from Operations	Net Income Attributable to Quintiles
<b>As Reported</b>	<b>\$ 219.6</b>	<b>\$ 143.2</b>	<b>\$ 86.4</b>	<b>\$ 219.2</b>	<b>\$ 141.3</b>	<b>\$ 90.2</b>
Adjustments						
Restructuring Costs	-	5.3	5.3	-	1.0	1.0
Tax Effect of Adjustments	-	-	(1.8)	-	-	(0.2)
Adjustment to Estimated Contingent Consideration <sup>1</sup>	-	-	1.3	-	-	(0.1)
<b>Adjusted Non-GAAP Basis</b>	<b>\$ 219.6</b>	<b>\$ 148.5</b>	<b>\$ 91.2</b>	<b>\$ 219.2</b>	<b>\$ 142.3</b>	<b>\$ 90.9</b>
<b>% of Service Revenues</b>	<b>21.3%</b>	<b>14.4%</b>	<b>8.9%</b>	<b>21.8%</b>	<b>14.2%</b>	<b>9.0%</b>

<sup>1</sup> Change in estimated fair value of contingent consideration on business combinations.

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

# Reconciliation of Net Income Attributable to Quintiles to Non-GAAP Adjusted EBITDA

<i>(millions of dollars)</i>	Three Months Ended March 31	
	2015	2014
<b>Net Income Attributable to Quintiles</b>	<b>\$ 86.4</b>	<b>\$ 90.2</b>
Interest Expense, Net	24.5	23.4
Income Tax Expense	36.1	37.4
Depreciation and Amortization	30.3	29.1
Restructuring Costs	5.3	1.0
Other Income, Net	(2.9)	(4.8)
Earnings from Unconsolidated Affiliates	(0.9)	(4.9)
<b>Non-GAAP Adjusted EBITDA</b>	<b>\$ 178.9</b>	<b>\$ 171.4</b>
<b>% of Service Revenues</b>	<b>17.4%</b>	<b>17.1%</b>

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

# Reconciliation of Net Income Attributable to Quintiles to Non-GAAP Adjusted Net Income and Diluted Adjusted EPS

<i>(millions of dollars)</i>	Three Months Ended March 31			
	2015	EPS <sup>1</sup>	2014	EPS <sup>1</sup>
<b>Net Income Attributable to Quintiles</b>	<b>\$ 86.4</b>	<b>\$ 0.68</b>	<b>\$ 90.2</b>	<b>\$ 0.68</b>
Restructuring Costs	5.3	0.04	1.0	0.01
Adjustment to Estimated Contingent Consideration	1.3	0.01	(0.1)	-
Tax Effect of Adjustments <sup>2</sup>	(1.8)	(0.01)	(0.2)	-
<b>Non-GAAP Adjusted Net Income</b>	<b>\$ 91.2</b>	<b>\$ 0.72</b>	<b>\$ 90.9</b>	<b>\$ 0.68</b>
<b>Number of Diluted Shares Outstanding<sup>3</sup></b>	<b>127,454</b>		<b>133,040</b>	

<sup>1</sup> EPS is represented in dollars.

<sup>2</sup>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 which were tax effected at 33.3% and 24.5% during the three months ended March 31, 2015 and 2014, respectively and ii) contingent consideration which is not tax effected as it represents a permanent difference between book and tax income.

<sup>3</sup> Diluted shares are represented in thousands.

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

# Non-GAAP 2015 Guidance Reconciliation

	Non-GAAP Adjusted Net Income <i>(millions of dollars)</i>		Diluted Adjusted Earnings Per Share	
	Low	High	Low	High
Net income attributable to Quintiles	<b>\$370</b>	<b>\$388</b>	<b>\$2.89</b>	<b>\$3.03</b>
Restructuring costs	23	18	0.18	0.14
Adjustment to estimated contingent consideration	1	1	0.01	0.01
Tax effect of adjustments <sup>1</sup>	(8)	(6)	(0.06)	(0.05)
Adjusted net income and diluted adjusted earnings per share	<b>\$386</b>	<b>\$401</b>	<b>\$3.02</b>	<b>\$3.13</b>

<sup>1</sup> Restructuring costs are tax effected at approximately 34.0%.