

# Second Quarter 2015 Earnings Call

July 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, the Company's effective income tax rate may fluctuate, which may adversely affect our operations, earnings and earnings per share, 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.*

# Second Quarter 2015 Overview

- ✓ 9.8% constant currency service revenue growth
- ✓ \$0.78 diluted adjusted earnings per share
- ✓ 7.6% net new business growth, continued strength in new business wins
- ✓ \$2.75 billion debt refinancing completed
- ✓ \$250 million share repurchase
- ✓ Launch of Q<sup>2</sup> Solutions, a Quintiles Quest joint venture

	Three Months Ended June 30, 2015		Six Months Ended June 30, 2015	
	Net New Business <i>(billions of dollars)</i>	Book-to-Bill	Net New Business <i>(billions of dollars)</i>	Book-to-Bill
Product Development	\$0.97	1.23x	\$2.05	1.34x
Integrated Healthcare Services	\$0.35	1.23x	\$0.61	1.08x
Total	\$1.32	1.23x	\$2.67	1.27x

A reconciliation of diluted adjusted earnings per share to diluted GAAP net income per share is attached in the Supplemental Information section of this presentation.

# Financial Highlights and Other Metrics

<i>(millions of dollars)</i>	Three Months Ended June 30			Six Months Ended June 30		
	2015	2014	Change	2015	2014	Change
Net New Business	\$ 1,322.0	\$ 1,228.0	7.6%	\$ 2,668.0	\$ 2,503.0	6.6%
Service Revenues	\$ 1,074.4	\$ 1,035.5	3.8%	\$ 2,104.3	\$ 2,040.8	3.1%
Adjusted Income from Operations	\$ 164.6	\$ 141.9	16.0%	\$ 313.2	\$ 284.3	10.2%
Adjusted Income from Operations Margin	15.3%	13.7%	160 bps	14.9%	13.9%	100 bps
Adjusted EBITDA	\$ 189.3	\$ 172.1	10.0%	\$ 373.2	\$ 353.2	5.7%
Adjusted Net Income Attributable to Quintiles	\$ 98.7	\$ 85.7	15.1%	\$ 189.9	\$ 176.6	7.6%
Diluted Adjusted EPS <sup>1</sup>	\$ 0.78	\$ 0.65	20.0%	\$ 1.50	\$ 1.33	12.8%

## Second Quarter 2015 Highlights

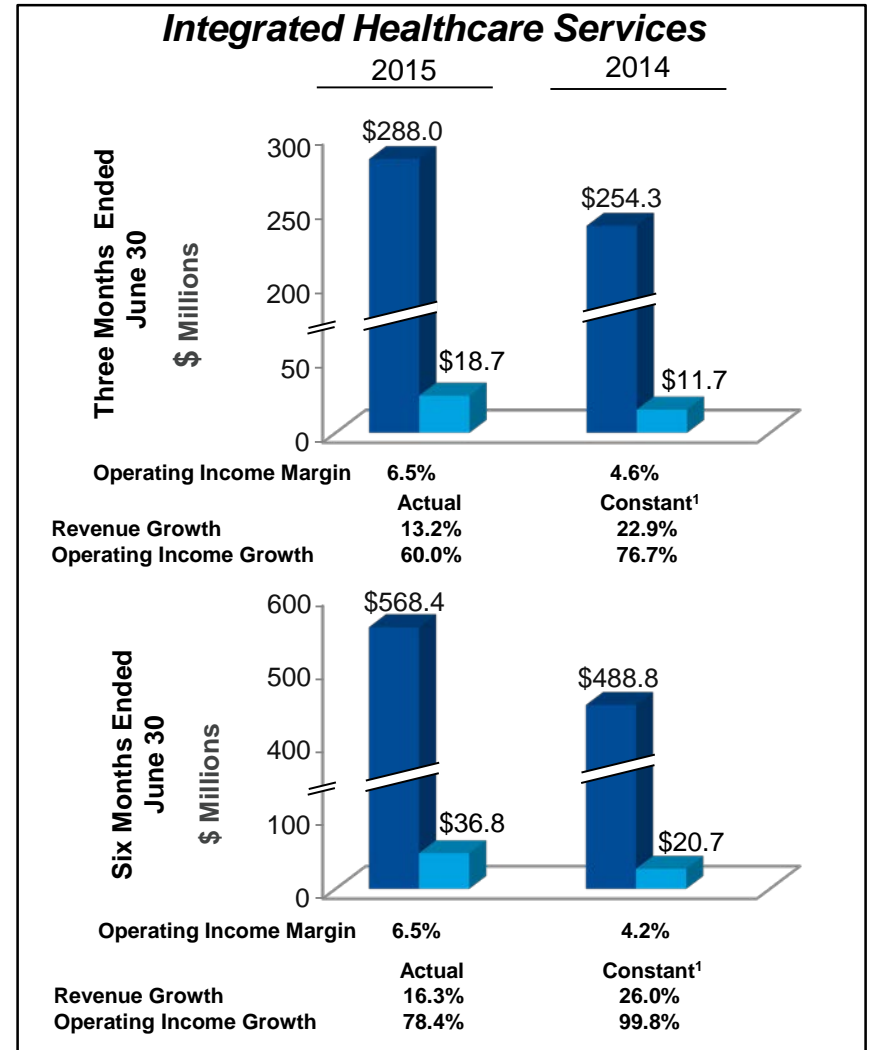
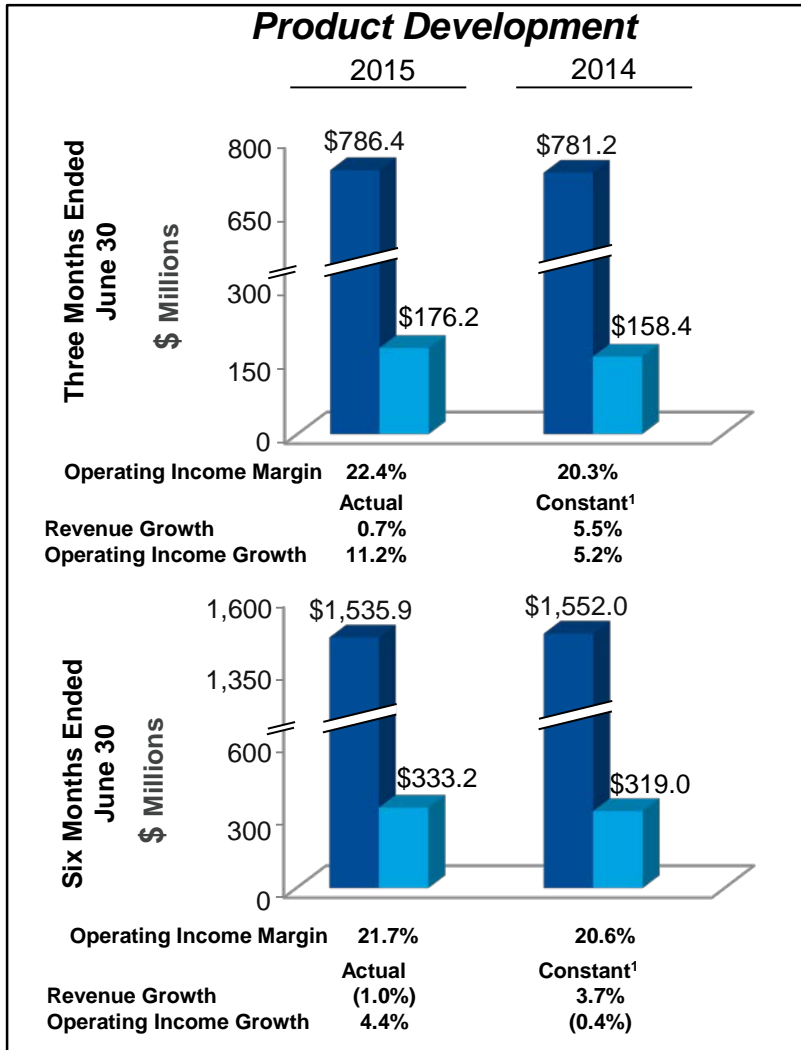
- ✓ 9.8% constant currency service revenue growth and 3.8% at actual exchange rates
- ✓ Higher IHS service revenue contribution with IHS segment service revenue growth of 22.9% at constant currency and 13.2% at actual exchange rates
- ✓ 160 basis points of expansion in adjusted income from operations margin due to improved IHS margins at constant currency and foreign currency benefits in PD
- ✓ 20.0% 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



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 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 8.5% to 9.5%

- Estimated 480 basis points of unfavorable foreign exchange at actual rates
- Q<sup>2</sup> Solutions to contribute approximately \$80 million of revenue

Diluted Adjusted Earnings per share range of \$3.09 to \$3.19<sup>1</sup>

- 14.4% to 18.1% 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 June foreign currency exchange rates stay in effect for the remainder of the year and does not reflect the impact of any future equity repurchases.

<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 2015 first half review

- ✓ Market backdrop remains strong
- ✓ Continued strong bookings with favorable mix in Product Development – backlog of \$11.37 billion
- ✓ Strength in Real World Late Phase business
- ✓ 12.8% diluted adjusted EPS growth
- ✓ Launch of Q<sup>2</sup> Solutions, a Quintiles Quest Joint Venture

## 2 Capital deployment achievements

- ✓ \$2.75 billion debt refinancing which extends maturities and lowers average cost of debt
- ✓ \$250 million share repurchase (3.9 million shares)

## 3 Recognition during the quarter

- ✓ FORTUNE 500
- ✓ Named to InformationWeek Elite 100
- ✓ Business Insider's "30 Most Meaningful Companies to Work for in America"
- ✓ Named as the preferred provider for Phase II/III research by ISR Reports – 3<sup>rd</sup> year in a row



# *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 June 30			Year on Year Growth		
	Actual	Exchange Impact	Constant	Actual	Exchange Impact	Constant
<b>Consolidated</b>						
Service Revenues	\$ 1,074.4	\$ (62.2)	\$ 1,136.6	3.8%	(6.0%)	9.8%
Income from Operations	\$ 158.4	\$ 9.4	\$ 149.0	12.3%	6.7%	5.6%
Adjusted Income from Operations	\$ 164.6	\$ 8.6	\$ 156.0	16.0%	6.1%	9.9%
Adjusted Income from Operations Margin	15.3%		13.7%			
<b>Product Development</b>						
Service Revenues	\$ 786.4	\$ (37.4)	\$ 823.8	0.7%	(4.8%)	5.5%
Income from Operations	\$ 176.2	\$ 9.6	\$ 166.6	11.2%	6.0%	5.2%
Income from Operations Margin	22.4%		20.2%			
<b>Integrated Healthcare Services</b>						
Service Revenues	\$ 288.0	\$ (24.8)	\$ 312.8	13.2%	(9.7%)	22.9%
Income from Operations	\$ 18.7	\$ (2.0)	\$ 20.7	60.0%	(16.7%)	76.7%
Income from Operations Margin	6.5%		6.6%			

<i>(millions of dollars)</i>	Six Months Ended June 30			Year on Year Growth		
	Actual	Exchange Impact	Constant	Actual	Exchange Impact	Constant
<b>Consolidated</b>						
Service Revenues	\$ 2,104.3	\$ (121.2)	\$ 2,225.5	3.1%	(5.9%)	9.0%
Income from Operations	\$ 301.6	\$ 13.8	\$ 287.8	6.8%	4.9%	1.9%
Adjusted Income from Operations	\$ 313.2	\$ 12.6	\$ 300.6	10.2%	4.4%	5.8%
Adjusted Income from Operations Margin	14.9%		13.5%			
<b>Product Development</b>						
Service Revenues	\$ 1,535.9	\$ (73.6)	\$ 1,609.5	(1.0%)	(4.7%)	3.7%
Income from Operations	\$ 333.2	\$ 15.1	\$ 318.1	4.4%	4.8%	(0.4%)
Income from Operations Margin	21.7%		19.8%			
<b>Integrated Healthcare Services</b>						
Service Revenues	\$ 568.4	\$ (47.6)	\$ 616.0	16.3%	(9.7%)	26.0%
Income from Operations	\$ 36.8	\$ (4.4)	\$ 41.2	78.4%	(21.4%)	99.8%
Income from Operations Margin	6.5%		6.7%			

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>2Q '15</b>	\$734.2	\$68.2	\$135.0	\$99.0	\$38.0	\$1,074.4
<i>% of total</i>	68%	6%	13%	9%	4%	100%
<b>2Q '14</b>	\$645.3	\$84.3	\$169.5	\$107.6	\$28.8	\$1,035.5
<i>% of total</i>	63%	8%	16%	10%	3%	100%
<b>2Q '15 Average Rate</b>		\$1.53	\$1.11	¥121.32		
<b>2Q '14 Average Rate</b>		\$1.68	\$1.37	¥102.10		
<b>% Increase (Decrease)</b>		(9.0%)	(19.3%)	(15.8%)		

<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>YTD 2015</b>	\$1,412.2	\$137.0	\$280.6	\$198.8	\$75.7	\$2,104.3
<i>% of total</i>	67%	7%	13%	9%	4%	100%
<b>YTD 2014</b>	\$1,241.8	\$175.8	\$357.3	\$210.2	\$55.7	\$2,040.8
<i>% of total</i>	60%	9%	18%	10%	3%	100%
<b>YTD '15 Average Rate</b>		\$1.52	\$1.12	¥120.22		
<b>YTD '14 Average Rate</b>		\$1.67	\$1.37	¥102.44		
<b>% Increase (Decrease)</b>		(8.7%)	(18.5%)	(14.8%)		

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

# Income Statement

## GAAP – Non-GAAP Reconciliation

Three Months Ended June 30 (millions of dollars)	2015		2014	
	Income from Operations	Net Income Attributable to Quintiles	Income from Operations	Net Income Attributable to Quintiles
<b>As Reported</b>	<b>\$ 158.4</b>	<b>\$ 85.0</b>	<b>\$ 141.0</b>	<b>\$ 85.1</b>
Adjustments				
Restructuring Costs	6.2	6.2	0.9	0.9
Adjustment to Estimated Contingent Consideration <sup>1</sup>	-	4.6	-	-
Loss on Extinguishment of Debt	-	7.8	-	-
Tax Effect of Adjustments	-	(4.9)	-	(0.3)
<b>Adjusted Non-GAAP Basis</b>	<b>\$ 164.6</b>	<b>\$ 98.7</b>	<b>\$ 141.9</b>	<b>\$ 85.7</b>
<b>% of Service Revenues</b>	<b>15.3%</b>	<b>9.2%</b>	<b>13.7%</b>	<b>8.3%</b>

Six Months Ended June 30 (millions of dollars)	2015		2014	
	Income from Operations	Net Income Attributable to Quintiles	Income from Operations	Net Income Attributable to Quintiles
<b>As Reported</b>	<b>\$ 301.6</b>	<b>\$ 171.3</b>	<b>\$ 282.3</b>	<b>\$ 175.3</b>
Adjustments				
Restructuring Costs	11.6	11.6	2.0	2.0
Adjustment to Estimated Contingent Consideration <sup>1</sup>	-	5.9	-	(0.1)
Loss on Extinguishment of Debt	-	7.8	-	-
Tax Effect of Adjustments	-	(6.6)	-	(0.6)
<b>Adjusted Non-GAAP Basis</b>	<b>\$313.2</b>	<b>\$189.90</b>	<b>\$284.3</b>	<b>\$176.6</b>
<b>% of Service Revenues</b>	<b>14.9%</b>	<b>9.0%</b>	<b>13.9%</b>	<b>8.7%</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 June 30		Six Months Ended June 30	
	2015	2014	2015	2014
<b>Net Income Attributable to Quintiles</b>	<b>\$ 85.0</b>	<b>\$ 85.1</b>	<b>\$ 171.3</b>	<b>\$ 175.3</b>
Interest Expense, Net	24.0	23.8	48.5	47.3
Income Tax Expense	31.7	32.4	67.8	69.8
Depreciation and Amortization	30.0	29.9	60.3	58.9
Restructuring Costs	6.2	0.9	11.6	2.0
Loss on Extinguishment of Debt	7.8	-	7.8	-
Adjustment to Estimated Contingent Consideration	4.6	-	5.9	(0.1)
<b>Non-GAAP Adjusted EBITDA</b>	<b>\$ 189.3</b>	<b>\$ 172.1</b>	<b>\$ 373.2</b>	<b>\$ 353.2</b>
<b>% of Service Revenues</b>	17.6%	16.6%	17.7%	17.3%

During the second quarter of 2015, we changed our Adjusted EBITDA calculation to include an adjustment to estimated contingent consideration, and to remove from the calculation (i) net income (loss) attributable to non-controlling interests, (ii) other expense (income), net, and (iii) equity in (earnings) losses from unconsolidated affiliates. The net overall impact of these changes on Adjusted EBITDA for the three months and six months ended June 30, 2015 was to decrease Adjusted EBITDA by \$5.3 million and \$0.3 million, respectively. Management believes that the changes to the calculation are indicative of the core results of the business. To conform to the current period calculation, prior periods have been changed. Please visit [www.quintiles.com/investors](http://www.quintiles.com/investors) for a presentation of the prior periods' Adjusted EBITDA calculation.

# Reconciliation of Net Income Attributable to Quintiles to Non-GAAP Adjusted EBITDA for 2014

<i>(millions of dollars)</i>	Three Months Ended				Year Ended
	March 31, 2014	June 30, 2014	September 30, 2014	December 31, 2014	December 31, 2014
<b>Net Income Attributable to Quintiles</b>	<b>\$ 90.2</b>	<b>\$ 85.1</b>	<b>\$ 92.7</b>	<b>\$ 88.4</b>	<b>\$ 356.4</b>
Interest Expense, Net	23.4	23.8	24.4	25.5	97.2
Income Tax Expense	37.4	32.4	41.3	39.0	150.1
Depreciation and Amortization	29.1	29.8	30.2	31.9	121.0
Restructuring Costs	1.0	0.9	1.8	5.2	9.0
Adjustment to Estimated Contingent Consideration	(0.1)	-	(8.8)	-	(8.8)
<b>Non-GAAP Adjusted EBITDA</b>	<b>\$ 181.0</b>	<b>\$ 172.1</b>	<b>\$ 181.6</b>	<b>\$ 190.1</b>	<b>\$ 724.8</b>
<b>% of Service Revenues</b>	18.0%	16.6%	17.1%	17.9%	17.4%

During the second quarter of 2015, the Company changed its Adjusted EBITDA calculation. Management believes that the changes to the calculation are indicative of the core results of the business. To conform to the current period calculation, prior periods have been changed. Please visit [www.quintiles.com/investors](http://www.quintiles.com/investors) for a presentation of the prior periods' Adjusted EBITDA calculation.

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 June 30				Six Months Ended June 30			
	2015	EPS <sup>1</sup>	2014	EPS <sup>1</sup>	2015	EPS <sup>1</sup>	2014	EPS <sup>1</sup>
<b>Net Income Attributable to Quintiles</b>	<b>\$ 85.0</b>	<b>\$ 0.67</b>	<b>\$ 85.1</b>	<b>\$ 0.64</b>	<b>\$ 171.3</b>	<b>\$ 1.35</b>	<b>\$ 175.3</b>	<b>\$ 1.32</b>
Restructuring Costs	6.2	0.05	0.9	0.01	11.6	0.09	2.0	0.02
Loss on Extinguishment of Debt	7.8	0.06	-	-	7.8	0.06	-	-
Tax Effect of Adjustments <sup>2</sup>	(4.9)	(0.04)	(0.3)	-	(6.6)	(0.05)	(0.6)	(0.01)
Adjustment to Estimated Contingent Consideration	4.6	0.04	-	-	5.9	0.05	(0.1)	-
<b>Non-GAAP Adjusted Net Income</b>	<b>\$ 98.7</b>	<b>\$ 0.78</b>	<b>\$ 85.7</b>	<b>\$ 0.65</b>	<b>\$ 189.9</b>	<b>\$ 1.50</b>	<b>\$ 176.6</b>	<b>\$ 1.33</b>
<b>Number of Diluted Shares Outstanding<sup>3</sup></b>	<b>126,536</b>		<b>132,042</b>		<b>126,995</b>		<b>132,541</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 29.9% and 36.5% during the three months ended June 30, 2015 and 2014, respectively, and 31.5% and 30.3% during the six months ended June 30, 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.

# 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>\$358</b>	<b>\$373</b>	<b>\$2.84</b>	<b>\$2.96</b>
Restructuring Costs	32	28	0.25	0.22
Loss on Extinguishment of Debt	8	8	0.06	0.06
Adjustment to Estimated Contingent Consideration	6	6	0.05	0.05
Tax Effect of Adjustments <sup>1</sup>	(14)	(12)	(0.11)	(0.10)
Adjusted Net Income and Diluted Adjusted Earnings Per Share	<b>\$ 390</b>	<b>\$ 403</b>	<b>\$ 3.09</b>	<b>\$ 3.19</b>

<sup>1</sup> The tax effect of adjustments was based on the income tax rate of the respective transactions, which was 34% for Restructuring Costs and 38.5% for Loss on Extinguishment of Debt. Adjustment to Estimated Contingent Consideration is not tax effected as it represents a permanent difference between book and tax income.