

# Third Quarter 2014 Earnings Call

October 30, 2014



# 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 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 underprice 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, 2013, filed with the SEC on February 13, 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.*

# Third Quarter – Highlights

We continue to see strength in the market across both of our segments

- 13.8% service revenue growth
- 22.6% diluted adjusted earnings per share growth
- 12.8% net new business growth
  - Product Development trailing 4 quarter book-to-bill ratio of 1.32
  - Integrated Healthcare Services trailing 4 quarter book-to-bill ratio of 1.20
  - \$10.75 billion of diversified backlog

	Three Months Ended September 30, 2014		Nine Months Ended September 30, 2014	
	Net New Business <i>(billions of dollars)</i>	Book-to-Bill	Net New Business <i>(billions of dollars)</i>	Book-to-Bill
Product Development	\$1.27	1.64x	\$3.14	1.35x
Integrated Healthcare Services	\$0.24	0.84x	\$0.87	1.12x
Total	\$1.51	1.42x	\$4.01	1.29x

# Financial Highlights and Other Metrics

<i>(millions of dollars)</i>	Three Months Ended September 30			Nine Months Ended September 30		
	2014	2013	Change	2014	2013	Change
Net New Business	\$ 1,512.0	\$ 1,341.0	12.8%	\$ 4,014.0	\$ 3,600.0	11.5%
Service Revenues	\$ 1,061.0	\$ 932.7	13.8%	\$ 3,101.8	\$ 2,804.4	10.6%
Adjusted Income from Operations	\$ 150.9	\$ 132.5	13.9%	\$ 435.2	\$ 374.9	16.1%
Adjusted Income from Operations Margin	14.2%	14.2%	-	14.0%	13.4%	60 bps
Adjusted EBITDA	\$ 181.1	\$ 159.8	13.3%	\$ 524.3	\$ 451.9	16.0%
Adjusted Net Income Attributable to Quintiles	\$ 85.0	\$ 70.7	20.2%	\$ 261.6	\$ 191.0	36.9%
Diluted Adjusted EPS <sup>1</sup>	\$ 0.65	\$ 0.53	22.6%	\$ 1.98	\$ 1.51	31.1%

## Third Quarter 2014 Highlights

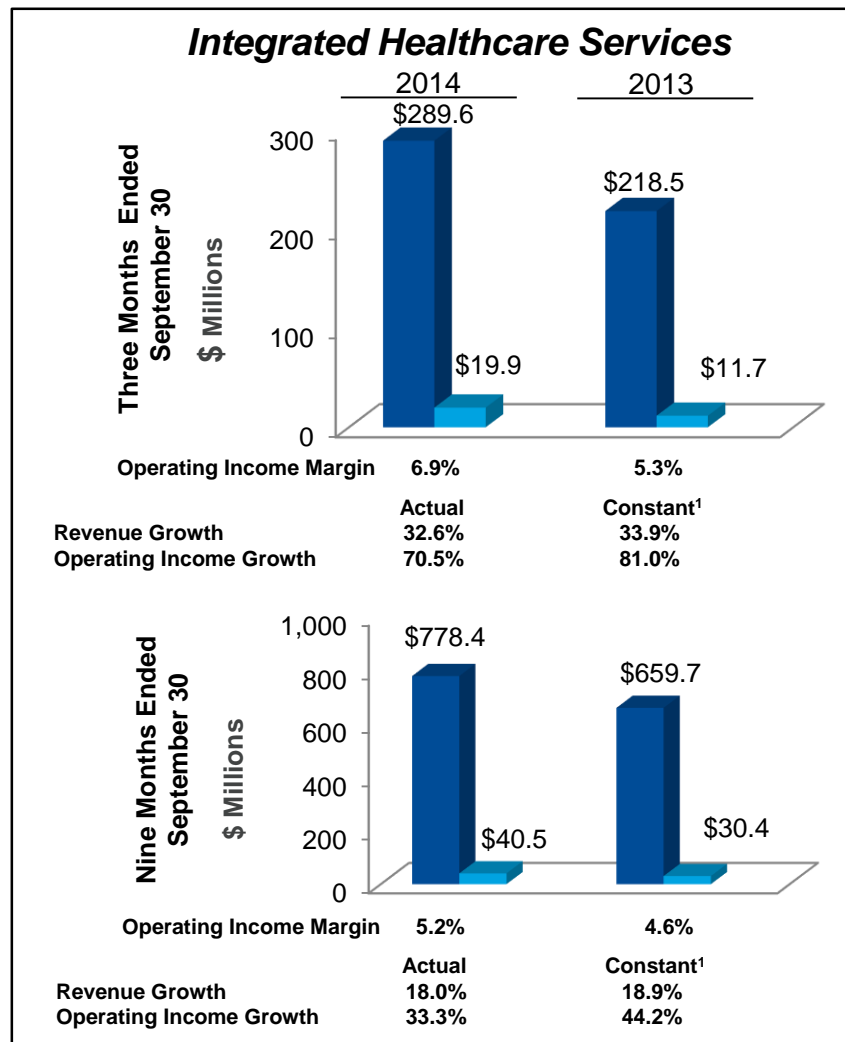
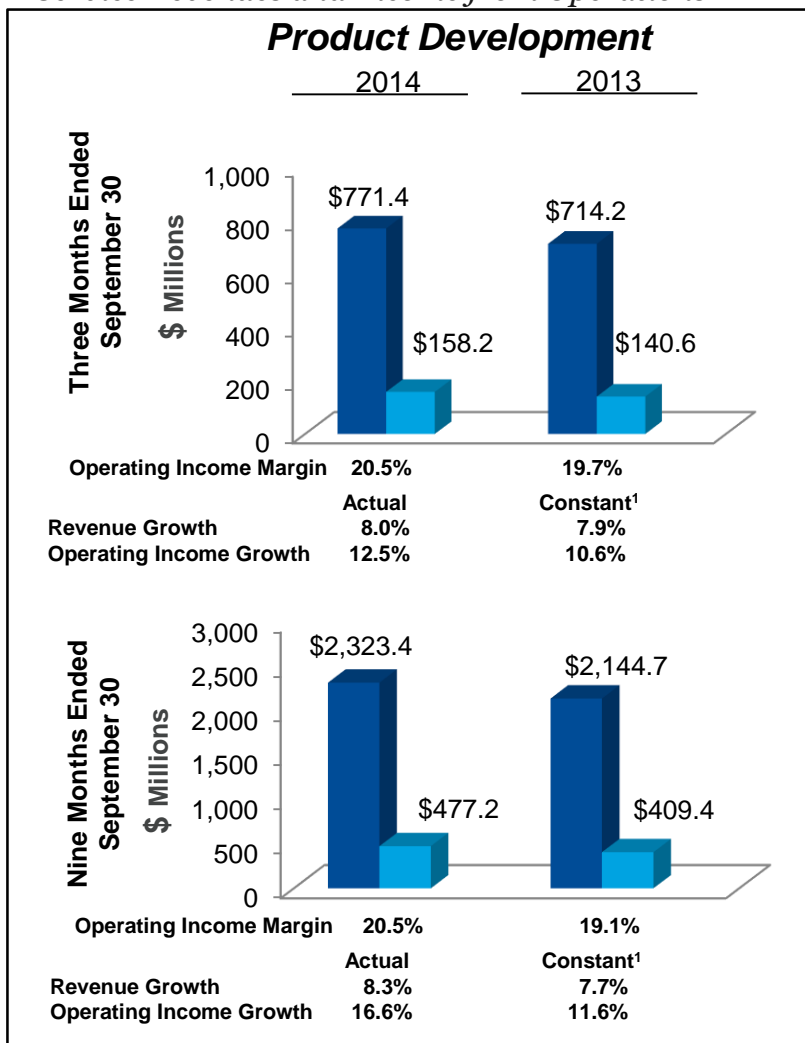
- ✓ 14.0% constant currency service revenue growth and 13.8% at actual exchange rates
- ✓ IHS segment service revenue growth of 33.9% at constant currency and 32.6% at actual exchange rates
- ✓ 13.9% growth in adjusted income from operations
- ✓ 22.6% increase in Diluted Adjusted EPS

<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 or impairment charges to its segments.

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

# 2014 Guidance Update

Service Revenues range of \$4.16 billion to \$4.19 billion

- 9.2% to 10.0% year over year growth range at forecasted exchange rates
- Guidance adjusted for significant changes in foreign currency since last estimates

Diluted Adjusted Earnings per share range of \$2.61 to \$2.68<sup>1</sup>

- 26.7% to 30.1% year over year growth range at forecasted exchange rates

Annual Effective Income Tax Rate of approximately 30%

<sup>1</sup> This financial guidance is based on the actual results for the nine month period ending September 30, 2014 combined with our estimates for the following three months of 2014, assuming the September 30, 2014 foreign currency exchange rates stay in effect for the remainder of the year and does not reflect the impact of any future equity repurchases.

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 2014 first nine months results

- ✓ IHS returned to growth with 18.9% constant currency service revenue growth
- ✓ Product Development executed consistently with good revenue growth and improved productivity
- ✓ Consolidated net new business growth of 11.5%
- ✓ Margin expansion in both Product Development and IHS
- ✓ 31.1% diluted adjusted EPS growth
- ✓ Favorable market trends

## 2 Recognition during the quarter

- ✓ 2014 CRO Eagle Award recipient from the Society for Clinical Research Sites – second consecutive year
- ✓ #1 CSO of choice in the UK by Pharmaceutical Field - 12th consecutive year
- ✓ Encore was named one of Modern Healthcare's Best Places to work in healthcare



# *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 2014 Guidance Reconciliation



# Constant Currency Reconciliation

## Service Revenues and Income from Operations

<i>(millions of dollars)</i>	Three Months Ended September 30			Year on Year Growth		
	Actual	Exchange Impact	Constant	Actual	Exchange Impact	Constant
<b>Consolidated</b>						
Service Revenues	\$ 1,061.0	\$ (1.9)	\$ 1,062.9	13.8%	(0.2%)	14.0%
Income from Operations	\$ 149.1	\$ 1.2	\$ 147.9	19.1%	1.0%	18.1%
Adjusted Income from Operations	\$ 150.9	\$ 1.2	\$ 149.7	13.9%	0.9%	13.0%
Adjusted Income from Operations Margin	14.2%		14.1%			
<b>Product Development</b>						
Service Revenues	\$ 771.4	\$ 0.9	\$ 770.5	8.0%	0.1%	7.9%
Income from Operations	\$ 158.2	\$ 2.7	\$ 155.5	12.5%	1.9%	10.6%
Income from Operations Margin	20.5%		20.2%			
<b>Integrated Healthcare Services</b>						
Service Revenues	\$ 289.6	\$ (2.8)	\$ 292.4	32.6%	(1.3%)	33.9%
Income from Operations	\$ 19.9	\$ (1.2)	\$ 21.1	70.5%	(10.5%)	81.0%
Income from Operations Margin	6.9%		7.2%			

<i>(millions of dollars)</i>	Nine Months Ended September 30			Year on Year Growth		
	Actual	Exchange Impact	Constant	Actual	Exchange Impact	Constant
<b>Consolidated</b>						
Service Revenues	\$ 3,101.8	\$ 7.7	\$ 3,094.1	10.6%	0.3%	10.3%
Income from Operations	\$ 431.5	\$ 17.2	\$ 414.3	28.7%	5.1%	23.6%
Adjusted Income from Operations	\$ 435.2	\$ 17.2	\$ 418.0	16.1%	4.6%	11.5%
Adjusted Income from Operations Margin	14.0%		13.5%			
<b>Product Development</b>						
Service Revenues	\$ 2,323.4	\$ 13.5	\$ 2,309.9	8.3%	0.6%	7.7%
Income from Operations	\$ 477.2	\$ 20.7	\$ 456.5	16.6%	5.0%	11.6%
Income from Operations Margin	20.5%		19.8%			
<b>Integrated Healthcare Services</b>						
Service Revenues	\$ 778.4	\$ (5.8)	\$ 784.2	18.0%	(0.9%)	18.9%
Income from Operations	\$ 40.5	\$ (3.3)	\$ 43.8	33.3%	(10.9%)	44.2%
Income from Operations Margin	5.2%		5.6%			

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, while 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>3Q '14</b>	\$665.8	\$78.6	\$169.7	\$110.5	\$36.4	\$1,061.0
<i>% of total</i>	64%	7%	16%	10%	3%	100%
<b>3Q '13</b>	\$604.4	\$72.1	\$153.0	\$82.2	\$21.0	\$932.7
<i>% of total</i>	65%	8%	16%	9%	2%	100%

<b>3Q '14 Average Rate</b>	\$1.67	\$1.33	¥103.98
<b>3Q '13 Average Rate</b>	\$1.55	\$1.33	¥98.86
<b>% Increase (Decrease)</b>	7.6%	0.0%	(4.9%)

<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 2014</b>	\$1,907.8	\$254.3	\$527.0	\$320.7	\$92.0	\$3,101.8
<i>% of total</i>	62%	8%	17%	10%	3%	100%
<b>YTD 2013</b>	\$1,774.2	\$213.4	\$475.8	\$274.3	\$66.7	\$2,804.4
<i>% of total</i>	63%	8%	17%	10%	2%	100%

<b>YTD '14 Average Rate</b>	\$1.67	\$1.36	¥102.95
<b>YTD '13 Average Rate</b>	\$1.55	\$1.32	¥96.64
<b>% Increase (Decrease)</b>	7.9%	2.9%	(6.1%)

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

# Income Statement

## GAAP – Non-GAAP Reconciliation

Three Months Ended September 30 (millions of dollars)	2014			2013		
	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>\$ 219.0</b>	<b>\$ 149.1</b>	<b>\$ 92.7</b>	<b>\$ 199.6</b>	<b>\$ 125.3</b>	<b>\$ 66.8</b>
Adjustments						
Restructuring Costs	-	1.8	1.8	-	7.2	7.2
Adjustment to Estimated Contingent Consideration <sup>1</sup>	-	-	(8.8)	-	-	(1.2)
Tax Effect of Adjustments	-	-	(0.7)	-	-	(2.1)
<b>Adjusted Non-GAAP Basis</b>	<b>\$219.0</b>	<b>\$150.9</b>	<b>\$85.0</b>	<b>\$199.6</b>	<b>\$132.5</b>	<b>\$70.7</b>
<b>% of Service Revenues</b>	<b>20.6%</b>	<b>14.2%</b>	<b>8.0%</b>	<b>21.4%</b>	<b>14.2%</b>	<b>7.6%</b>

Nine Months Ended September 30 (millions of dollars)	2014			2013		
	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>\$ 657.3</b>	<b>\$ 431.5</b>	<b>\$ 268.0</b>	<b>\$ 627.7</b>	<b>\$ 335.3</b>	<b>\$ 153.6</b>
Adjustments						
Restructuring Costs	-	3.7	3.7	-	11.9	11.9
Management Fees	-	-	-	(27.7)	27.7	27.7
Adjustment to Estimated Contingent Consideration <sup>1</sup>	-	-	(8.8)	-	-	(1.5)
Loss on Extinguishment of Debt	-	-	-	-	-	16.5
Tax Effect of Adjustments	-	-	(1.3)	-	-	(20.3)
Other Income Tax Adjustments <sup>2</sup>	-	-	-	-	-	3.1
<b>Adjusted Non-GAAP Basis</b>	<b>\$657.3</b>	<b>\$435.2</b>	<b>\$261.6</b>	<b>\$600.0</b>	<b>\$374.9</b>	<b>\$191.0</b>
<b>% of Service Revenues</b>	<b>21.2%</b>	<b>14.0%</b>	<b>8.4%</b>	<b>21.4%</b>	<b>13.4%</b>	<b>6.8%</b>

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

<sup>2</sup> Represents the Company's change in its permanent reinvestment assertion during 2Q 2013 retroactively applied to 1Q 2013 for the new estimated annual effective income tax rate for 2013.

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 September 30		Nine Months Ended September 30	
	2014	2013	2014	2013
<b>Net Income Attributable to Quintiles</b>	<b>\$ 92.7</b>	<b>\$ 66.8</b>	<b>\$ 268.0</b>	<b>\$ 153.6</b>
Net Income (loss) from Noncontrolling Interests	0.1	(0.2)	0.1	(0.5)
Interest Expense, Net	24.4	27.6	71.7	94.3
Income Tax Expense	41.3	27.5	111.0	68.4
Depreciation and Amortization	30.2	27.3	89.1	77.0
Restructuring Costs	1.8	7.2	3.7	11.9
Management Fees	-	-	-	27.7
Loss on Extinguishment of Debt	-	-	-	16.5
Other Income	(7.8) <sup>1</sup>	3.2	(9.6)	1.4
(Earnings) Losses from Unconsolidated Affiliates	(1.5)	0.4	(9.8)	1.6
<b>Non-GAAP Adjusted EBITDA</b>	<b>\$ 181.1</b>	<b>\$ 159.8</b>	<b>\$ 524.3</b>	<b>\$ 451.9</b>
<b>% of Service Revenues</b>	<b>17.1%</b>	<b>17.1%</b>	<b>16.9%</b>	<b>16.1%</b>

<sup>1</sup>Includes \$8.8 million of income for 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 Net Income and Diluted Adjusted EPS

(millions of dollars)	Three Months Ended September 30				Nine Months Ended September 30			
	2014	EPS <sup>1</sup>	2013	EPS <sup>1</sup>	2014	EPS <sup>1</sup>	2013	EPS <sup>1</sup>
<b>Net Income Attributable to Quintiles</b>	<b>\$ 92.7</b>	<b>\$ 0.71</b>	<b>\$ 66.8</b>	<b>\$ 0.50</b>	<b>\$ 268.0</b>	<b>\$ 2.03</b>	<b>\$ 153.6</b>	<b>\$ 1.22</b>
Restructuring Costs	1.8	0.01	7.2	0.05	3.7	0.03	11.9	0.09
Management Fees	-	-	-	-	-	-	27.7	0.22
Adjustment to Estimated Contingent Consideration	(8.8)	(0.07)	(1.2)	(0.01)	(8.8)	(0.07)	(1.5)	(0.01)
Loss on Extinguishment of Debt	-	-	-	-	-	-	16.5	0.13
Tax Effect of Adjustments <sup>2</sup>	(0.7)	(0.01)	(2.1)	(0.01)	(1.3)	(0.01)	(20.3)	(0.15)
Other Income Tax Adjustments <sup>3</sup>	-	-	-	-	-	-	3.1	0.02
<b>Non-GAAP Adjusted Net Income</b>	<b>\$ 85.0</b>	<b>\$ 0.65</b>	<b>\$ 70.7</b>	<b>\$ 0.53</b>	<b>\$ 261.6</b>	<b>\$ 1.98</b>	<b>\$ 191.0</b>	<b>\$ 1.51</b>
<b>Number of Diluted Shares Outstanding<sup>4</sup></b>	<b>130,626</b>		<b>133,267</b>		<b>131,903</b>		<b>126,195</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 39.3% and 27.5% during the three months ended September 30, 2014 and 2013, respectively, and 34.6% and 27.5% during the nine months ended September 30, 2014 and 2013, respectively and ii) contingent consideration which is not tax effected as it represents a permanent difference between book and tax income.

<sup>3</sup> Represents the Company's change in its permanent reinvestment assertion during 2Q 2013 retroactively applied to 1Q 2013 for the new estimated annual effective income tax rate for 2013.

<sup>4</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.

# Reconciliation of Net Income Attributable to Quintiles to Non-GAAP Adjusted Net Income and Diluted Adjusted EPS for 2013

(millions of dollars)	Three Months Ended								Year Ended	
	March 31, 2013		June 30, 2013		September 30, 2013		December 31, 2013		December 31, 2013	
		EPS <sup>1</sup>		EPS <sup>1</sup>		EPS <sup>1</sup>		EPS <sup>1</sup>		EPS <sup>1</sup>
<b>Net Income Attributable to Quintiles</b>	<b>\$ 48.3</b>	<b>\$ 0.41</b>	<b>\$ 38.5</b>	<b>\$ 0.30</b>	<b>\$ 66.8</b>	<b>\$ 0.50</b>	<b>\$ 73.0</b>	<b>\$ 0.55</b>	<b>\$ 226.6</b>	<b>\$ 1.77</b>
Restructuring Costs	1.9	0.02	2.8	0.02	7.2	0.05	2.2	0.02	14.1	0.11
Management Fees <sup>3</sup>	1.3	0.01	26.4	0.21	-	-	-	-	27.7	0.22
Adjustment to Estimated Contingent Consideration <sup>2</sup>	(0.2)	-	-	-	(1.2)	(0.01)	(3.5)	(0.03)	(4.9)	(0.04)
Loss on Extinguishment of Debt	-	-	16.5	0.13	-	-	3.3	0.02	19.8	0.15
Tax Effect of Adjustments <sup>3</sup>	(1.2)	(0.01)	(17.1)	(0.13)	(2.1)	(0.01)	(2.0)	(0.01)	(22.3)	(0.17)
Other Income Tax Adjustments <sup>3</sup>	7.3	0.06	(4.2)	(0.03)	-	-	-	-	3.0	0.02
<b>Non-GAAP Adjusted Net Income</b>	<b>\$ 57.4</b>	<b>\$ 0.48</b>	<b>\$ 62.9</b>	<b>\$ 0.50</b>	<b>\$ 70.7</b>	<b>\$ 0.53</b>	<b>\$ 73.0</b>	<b>\$ 0.55</b>	<b>\$ 264.0</b>	<b>\$ 2.06</b>
<b>Number of Diluted Shares Outstanding<sup>4</sup></b>	<b>118,740</b>		<b>126,578</b>		<b>133,267</b>		<b>132,861</b>		<b>127,862</b>	

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

<sup>2</sup>During the third quarter of 2014, the Company began excluding changes from adjustments to estimated contingent consideration from business combinations from adjusted net income and diluted adjusted earnings per share. Consistent with the other adjustments to adjusted net income and diluted adjusted net income per share, management believes that changes to the estimated value of contingent consideration are not indicative of its core operating results as the fluctuations from period-to-period do not necessarily correspond to changes in the core operations of the business. To conform to the current period presentation, all the periods for fiscal year 2013 in the table above reflect the inclusion of this adjustment.

<sup>3</sup> Footnotes for each respective items is included in the press release for the third quarter of 2014.

<sup>4</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 2014 Guidance Reconciliation

	Non-GAAP Adjusted Net Income (millions of dollars)		Diluted Adjusted Earnings Per Share	
	Low	High	Low	High
Net income attributable to Quintiles	\$344	\$354	\$2.61	\$2.68
Restructuring costs	13	13	0.10	0.10
Adjustment to estimated contingent consideration	(9)	(9)	(0.07)	(0.07)
Tax effect of adjustments <sup>1</sup>	(4)	(4)	(0.03)	(0.03)
Adjusted net income and diluted adjusted earnings per share	\$344	\$354	\$2.61	\$2.68

<sup>1</sup> Restructuring costs are tax effected at approximately 30%. Contingent consideration is not tax effected as it represents a permanent difference between book and tax income.