

# Fourth Quarter 2014 Earnings Call

February 12, 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, 2013, 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.*

# Fourth Quarter and Full Year 2014 Overview

Fourth quarter results

- ✓ 22.2% net new business growth
- ✓ 9.3% constant currency service revenue growth
- ✓ 29.1% diluted adjusted earnings per share growth

Solid financial results for the full year 2014

- ✓ 10.1% constant currency service revenue growth
- ✓ 31.1% diluted adjusted earnings per share growth
- ✓ 14.4% net new business growth yielding \$11.24 billion of diversified backlog

	Three Months Ended December 31, 2014		Year Ended December 31, 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	\$1.23	1.59x	\$4.37	1.41x
Integrated Healthcare Services	\$0.35	1.22x	\$1.23	1.15x
Total	\$1.59	1.49x	\$5.60	1.34x

# Financial Highlights and Other Metrics

<i>(millions of dollars)</i>	Three Months Ended December 31			Year Ended December 31		
	2014	2013	Change	2014	2013	Change
Net New Business	\$ 1,588.0	\$ 1,299.0	22.2%	\$ 5,602.0	\$ 4,899.0	14.4%
Service Revenues	\$ 1,064.0	\$ 1,003.9	6.0%	\$ 4,165.8	\$ 3,808.3	9.4%
Adjusted Income from Operations	\$ 164.2	\$ 129.2	27.1%	\$ 599.4	\$ 504.1	18.9%
Adjusted Income from Operations Margin	15.4%	12.9%	250 bps	14.4%	13.2%	120 bps
Adjusted EBITDA	\$ 196.1	\$ 159.7	22.7%	\$ 720.4	\$ 611.6	17.8%
Adjusted Net Income Attributable to Quintiles	\$ 91.8	\$ 73.0	25.8%	\$ 353.4	\$ 264.0	33.9%
Diluted Adjusted EPS <sup>1</sup>	\$ 0.71	\$ 0.55	29.1%	\$ 2.70	\$ 2.06	31.1%

## Fourth Quarter and 2014 Highlights

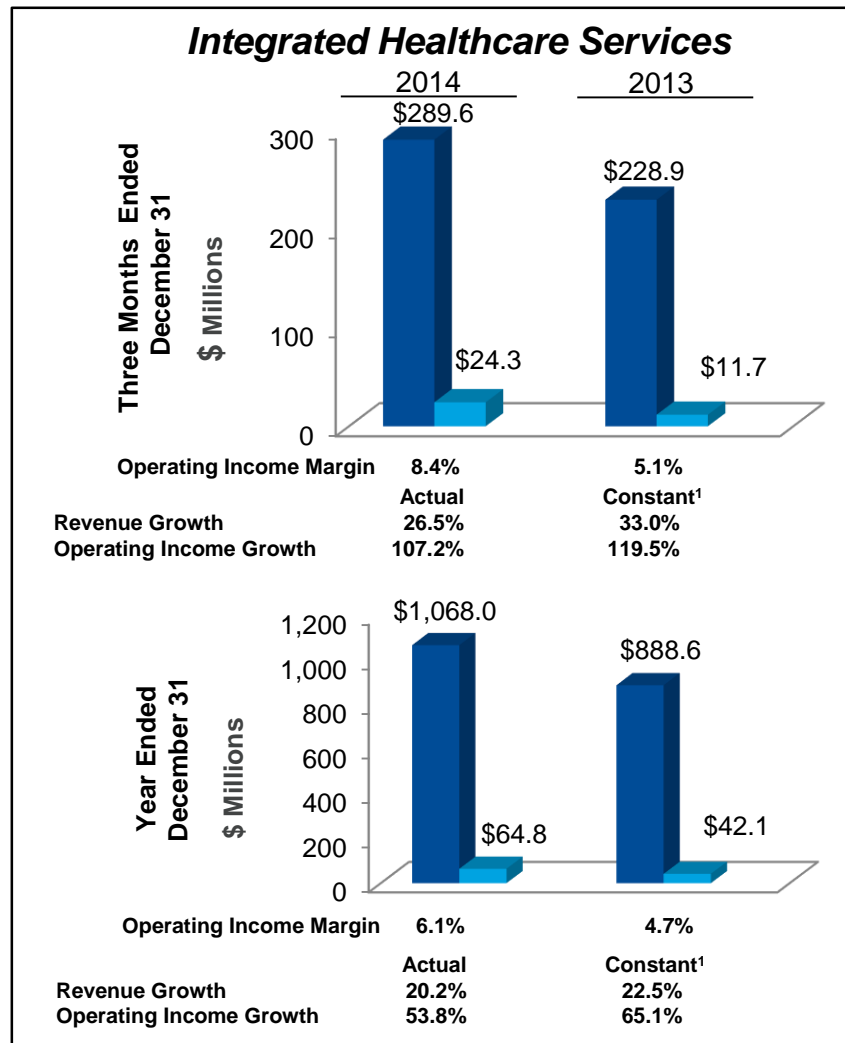
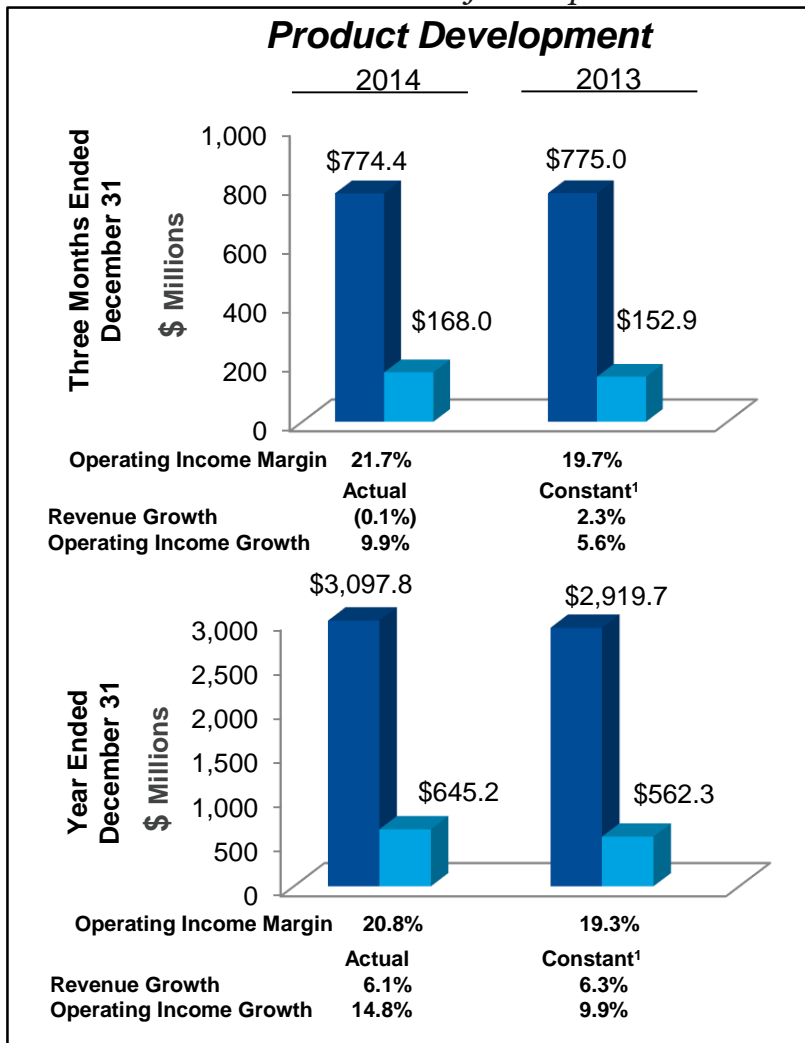
- ✓ 9.3% constant currency service revenue growth and 6.0% at actual exchange rates
- ✓ IHS segment service revenue growth of 33.0% at constant currency and 26.5% at actual exchange rates
- ✓ 250 basis points of expansion in adjusted income from operations margin
- ✓ 27.1% growth in adjusted income from operations
- ✓ 29.1% increase in diluted adjusted earnings per share
- ✓ \$349 million of free cash flow - 14.5% growth

<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.

# 2015 Guidance

Constant Currency Service Revenue growth range of 7.5% to 9.0%

- Estimated 420 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%

<sup>1</sup> This financial guidance assumes the first of January 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 Key 2014 Accomplishments

- ✓ 14.4% Consolidated net new business growth
- ✓ 10.1% Constant currency revenue growth
- ✓ Margin expansion in both Product Development and IHS segments
- ✓ \$415 million of shares repurchased during 2014
- ✓ \$11.24 billion of backlog
- ✓ Significant accomplishments
  - ✓ Named to the Fortune 500
  - ✓ Awarded “Best Contract Research Organization” by SCRIP Awards for the third year in-a-row
  - ✓ Asia-Pacific CRO of the Year by Frost & Sullivan for the sixth time in eight years
  - ✓ Named to CIO 100 for Quintiles Infosario platform

## 2 Favorable Market Dynamics

- ✓ Combined market of ~\$200 billion
- ✓ Estimated growth in both markets of 6%-8% over next few years



# *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>	<i>Three Months Ended December 31</i>			<i>Year on Year Growth</i>		
	<b>Actual</b>	<b>Exchange Impact</b>	<b>Constant</b>	<b>Actual</b>	<b>Exchange Impact</b>	<b>Constant</b>
<b>Consolidated</b>						
Service Revenues	\$ 1,064.0	\$ (33.4)	\$ 1,097.4	6.0%	(3.3%)	9.3%
Income from Operations	\$ 158.9	\$ 5.6	\$ 153.3	25.1%	4.4%	20.7%
Adjusted Income from Operations	\$ 164.2	\$ 5.4	\$ 158.8	27.1%	4.2%	22.9%
Adjusted Income from Operations Margin	15.4%		14.5%			
<b>Product Development</b>						
Service Revenues	\$ 774.4	\$ (18.6)	\$ 793.0	(0.1%)	(2.4%)	2.3%
Income from Operations	\$ 168.0	\$ 6.6	\$ 161.4	9.9%	4.3%	5.6%
Income from Operations Margin	21.7%		20.4%			
<b>Integrated Healthcare Services</b>						
Service Revenues	\$ 289.6	\$ (14.8)	\$ 304.4	26.5%	(6.5%)	33.0%
Income from Operations	\$ 24.3	\$ (1.4)	\$ 25.7	107.2%	(12.3%)	119.5%
Income from Operations Margin	8.4%		8.4%			

<i>(millions of dollars)</i>	<i>Year Ended December 31</i>			<i>Year on Year Growth</i>		
	<b>Actual</b>	<b>Exchange Impact</b>	<b>Constant</b>	<b>Actual</b>	<b>Exchange Impact</b>	<b>Constant</b>
<b>Consolidated</b>						
Service Revenues	\$ 4,165.8	\$ (25.7)	\$ 4,191.5	9.4%	(0.7%)	10.1%
Income from Operations	\$ 590.4	\$ 22.8	\$ 567.6	27.7%	4.9%	22.8%
Adjusted Income from Operations	\$ 599.4	\$ 22.6	\$ 576.8	18.9%	4.5%	14.4%
Adjusted Income from Operations Margin	14.4%		13.8%			
<b>Product Development</b>						
Service Revenues	\$ 3,097.8	\$ (5.1)	\$ 3,102.9	6.1%	(0.2%)	6.3%
Income from Operations	\$ 645.2	\$ 27.3	\$ 617.9	14.8%	4.9%	9.9%
Income from Operations Margin	20.8%		19.9%			
<b>Integrated Healthcare Services</b>						
Service Revenues	\$ 1,068.0	\$ (20.6)	\$ 1,088.6	20.2%	(2.3%)	22.5%
Income from Operations	\$ 64.8	\$ (4.8)	\$ 69.6	53.8%	(11.3%)	65.1%
Income from Operations Margin	6.1%		6.4%			

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>4Q '14</b>	\$685.1	\$77.5	\$157.9	\$103.8	\$39.7	\$1,064.0
<i>% of total</i>	64%	7%	15%	10%	4%	100%
<b>4Q '13</b>	\$587.4	\$71.1	\$207.2	\$108.3	\$29.9	\$1,003.9
<i>% of total</i>	59%	7%	21%	11%	2%	100%

<b>4Q '14 Average Rate</b>	\$1.58	\$1.25	¥114.53
<b>4Q '13 Average Rate</b>	\$1.62	\$1.36	¥100.45
<b>% Increase (Decrease)</b>	(2.2%)	(8.3%)	(12.3%)

<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>	\$2,592.9	\$331.8	\$684.8	\$424.5	\$131.8	\$4,165.8
<i>% of total</i>	63%	8%	16%	10%	3%	100%
<b>YTD 2013</b>	\$2,367.7	\$285.2	\$678.3	\$381.4	\$95.7	\$3,808.3
<i>% of total</i>	62%	7%	18%	10%	3%	100%

<b>YTD '14 Average Rate</b>	\$1.65	\$1.33	¥105.85
<b>YTD '13 Average Rate</b>	\$1.56	\$1.33	¥97.59
<b>% Increase (Decrease)</b>	5.3%	0.0%	(7.8%)

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

# Income Statement

## GAAP – Non-GAAP Reconciliation

Three Months Ended December 31 (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>\$ 225.1</b>	<b>\$ 158.9</b>	<b>\$ 88.4</b>	<b>\$ 232.8</b>	<b>\$ 127.0</b>	<b>\$ 73.0</b>
Adjustments						
Restructuring Costs	-	5.2	5.2	-	2.2	2.2
Tax Effect of Adjustments	-	-	(1.8)	-	-	(2.0)
Adjustment to Estimated Contingent Consideration <sup>1</sup>	-	-	-	-	-	(3.5)
Loss on Extinguishment of Debt	-	-	-	-	-	3.3
<b>Adjusted Non-GAAP Basis</b>	<b>\$225.1</b>	<b>\$164.2</b>	<b>\$91.8</b>	<b>\$232.8</b>	<b>\$129.2</b>	<b>\$73.0</b>
<b>% of Service Revenues</b>	<b>21.2%</b>	<b>15.4%</b>	<b>8.6%</b>	<b>23.2%</b>	<b>12.9%</b>	<b>7.3%</b>

Year Ended December 31 (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>\$ 882.3</b>	<b>\$ 590.4</b>	<b>\$ 356.4</b>	<b>\$ 860.5</b>	<b>\$ 462.3</b>	<b>\$ 226.6</b>
Adjustments						
Restructuring Costs	-	9.0	9.0	-	14.1	14.1
Adjustment to Estimated Contingent Consideration <sup>1</sup>	-	-	(8.8)	-	-	(4.9)
Tax Effect of Adjustments	-	-	(3.1)	-	-	(22.3)
Management Fees	-	-	-	(27.7)	27.7	27.7
Loss on Extinguishment of Debt	-	-	-	-	-	19.8
Other Income Tax Adjustments <sup>2</sup>	-	-	-	-	-	3.0
<b>Adjusted Non-GAAP Basis</b>	<b>\$882.3</b>	<b>\$599.4</b>	<b>\$353.4</b>	<b>\$832.8</b>	<b>\$504.1</b>	<b>\$264.0</b>
<b>% of Service Revenues</b>	<b>21.2%</b>	<b>14.4%</b>	<b>8.5%</b>	<b>21.9%</b>	<b>13.2%</b>	<b>6.9%</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 December 31		Year Ended December 31	
	2014	2013	2014	2013
<b>Net Income Attributable to Quintiles</b>	<b>\$ 88.4</b>	<b>\$ 73.0</b>	<b>\$ 356.4</b>	<b>\$ 226.6</b>
Income from Noncontrolling Interests	-	(0.1)	0.1	(0.6)
Interest Expense, Net	25.5	25.2	97.2	119.6
Income Tax Expense	39.0	27.6	150.1	96.0
Depreciation and Amortization	31.9	30.5	121.0	107.5
Restructuring Costs	5.2	2.2	9.0	14.1
Other Expense (Income), Net <sup>1</sup>	0.6	(1.5)	(9.0)	(0.2)
(Earnings) Losses from Unconsolidated Affiliates	5.4	(0.5)	(4.4)	1.1
Management Fees	-	-	-	27.7
Loss on Extinguishment of Debt	-	3.3	-	19.8
<b>Non-GAAP Adjusted EBITDA</b>	<b>\$ 196.1</b>	<b>\$ 159.7</b>	<b>\$ 720.4</b>	<b>\$ 611.6</b>
<b>% of Service Revenues</b>	<b>18.4%</b>	<b>15.9%</b>	<b>17.3%</b>	<b>16.1%</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 December 31				Year Ended December 31			
	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>\$ 88.4</b>	<b>\$ 0.69</b>	<b>\$ 73.0</b>	<b>\$ 0.55</b>	<b>\$ 356.4</b>	<b>\$ 2.72</b>	<b>\$ 226.6</b>	<b>\$ 1.77</b>
Restructuring Costs	5.2	0.04	2.2	0.02	9.0	0.07	14.1	0.11
Adjustment to Estimated Contingent Consideration	-	-	(3.5)	(0.03)	(8.8)	(0.07)	(4.9)	(0.04)
Tax Effect of Adjustments <sup>2</sup>	(1.8)	(0.01)	(2.0)	(0.01)	(3.1)	(0.02)	(22.3)	(0.17)
Management Fees	-	-	-	-	-	-	27.7	0.22
Loss on Extinguishment of Debt	-	-	3.3	0.02	-	-	19.8	0.15
Other Income Tax Adjustments <sup>3</sup>	-	-	-	-	-	-	3.0	0.02
<b>Non-GAAP Adjusted Net Income</b>	<b>\$ 91.8</b>	<b>\$ 0.71</b>	<b>\$ 73.0</b>	<b>\$ 0.55</b>	<b>\$ 353.4</b>	<b>\$ 2.70</b>	<b>\$ 264.0</b>	<b>\$ 2.06</b>
<b>Number of Diluted Shares Outstanding<sup>4</sup></b>	<b>128,626</b>		<b>132,861</b>		<b>131,083</b>		<b>127,862</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 34.7% and 32.3% during the three months ended December 31, 2014 and 2013, respectively, and 34.6% and 28.2% during the year ended December 31, 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.

# 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>\$371</b>	<b>\$389</b>	<b>\$2.90</b>	<b>\$3.04</b>
Restructuring costs	23	18	0.18	0.14
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%.