



PRAHEALTHSCIENCES

Q2 2018 Earnings

August 1, 2018





Forward Looking Statements and Use of Non-GAAP Financial Measures

This presentation contains forward-looking statements that 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. For this purpose, any statements contained herein that are not statements of historical fact may constitute forward-looking statements. Without limiting the foregoing, words such as "anticipates," "believes," "estimates," "expects," "guidance," "intends," "may," "plans," "projects," "should," "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 and that the Company may be unable to maintain large customer contracts or to enter into new contracts; the historical indications of the relationship of backlog to revenues may not be indicative of their future relationship; the market for the Company's services may not grow as the Company expects; the Company may under price contracts or overrun its cost estimates, fail to receive approval for or experience delays in documenting change orders, and if the Company is unable to achieve operating efficiencies or grow revenues faster than expenses, operating margins will be adversely affected; the Company may be unable to maintain information systems or effectively update them; customer or therapeutic concentration could harm the Company's business; the Company's business is subject to risks associated with international operations, including economic, political and other risks such as compliance with a myriad of laws and regulations, complications from conducting clinical trials in multiple countries simultaneously and changes in exchange rates; the Company is also subject to a number of additional risks associated with its business outside the United States, including foreign currency exchange fluctuations and restrictive regulations, as well as the risks and uncertainties associated with the United Kingdom's expected withdrawal from the European Union; government regulators or customers may limit the scope of prescription or withdraw products from the market, and government regulators may impose new regulations affecting the Company's business; the Company may be unable to successfully develop and market new services or enter new markets; the Company's failure to perform services in accordance with contractual requirements, regulatory standards and ethical considerations may subject it to significant costs or liability, damage its reputation and cause it to lose existing business or not receive new business; the Company's services are related to treatment of human patients, and it could face liability if a patient is harmed; the Company may be unable to successfully identify, acquire and integrate businesses, services and technologies; the Company's reliance on third parties for data, products, services and intellectual property licenses; the Company has substantial indebtedness and may incur additional indebtedness in the future, which could adversely affect the Company's financial condition; and other factors that are set forth in the Company's filings with the Securities and Exchange Commission, including its most recent Annual Report on Form 10-K filed with the SEC on February 22, 2018. The Company undertakes no obligation to update any forward-looking statement after the date of this release, whether as a result of new information, future developments or otherwise, except as may be required by applicable law.

This presentation also includes EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Income from Operations, Adjusted Income from Operations Margin, Adjusted Net Income and Adjusted Net Income per diluted share, each of which are financial measures not prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). Management believes that these measures provide useful supplemental information to management and investors regarding our operating results as they exclude certain items whose fluctuation from period-to-period do not necessarily correspond to changes in the operating results of our business. As a result, management and our board of directors regularly use EBITDA and Adjusted EBITDA as a tool in evaluating our operating and financial performance and in establishing discretionary annual bonuses. Adjusted EBITDA is also the basis for covenant compliance EBITDA, which is used in certain covenants in the credit agreement governing our senior secured credit facilities. In addition, management believes that EBITDA, Adjusted EBITDA, Adjusted Income from Operations and Adjusted Net Income (including adjusted net income per diluted share) facilitate comparisons of our operating results with those of other companies by backing out of GAAP net income items relating to variations in capital structures (affecting interest expense), taxation, and the age and book depreciation of facilities and equipment (affecting relative depreciation expense), which may vary for different companies for reasons unrelated to operating performance. We believe that EBITDA, Adjusted EBITDA, Adjusted Income from Operations and Adjusted Net Income (including adjusted net income per diluted share) are frequently used by securities analysts, investors, and other interested parties in the evaluation of issuers, many of which also present EBITDA, Adjusted EBITDA, Adjusted Income from Operations and Adjusted Net Income (including adjusted net income per diluted share) when reporting their results in an effort to facilitate an understanding of their operating results.

These non-GAAP financial measures have limitations as analytical tools, and you should not consider these measures in isolation, or as a substitute for analysis of our results as reported under GAAP. Additionally, because not all companies use identical calculations, these presentations of EBITDA, Adjusted EBITDA, Adjusted Income from Operations and Adjusted Net Income (including adjusted net income per diluted share) may not be comparable to similarly titled measures of other companies.

Constant currency comparisons are based on translating local currency amounts in the current year period at actual foreign exchange rates for the prior year. The Company routinely evaluates its financial performance on a constant currency basis in order to facilitate period- to- period comparisons without regard to the impact of changing foreign currency exchange rates.



Q2 2018 Highlights

- \$722.8 million of revenue; 35.4% growth at actual foreign exchange rates and 34.2% constant currency growth
- \$42.0 million of GAAP net income; Net income per diluted share of \$0.64
- \$66.1 million of adjusted net income; Adjusted net income per diluted share of \$1.00
- \$102.6 million of EBITDA; \$109.7 million of adjusted EBITDA

	Q2 2018	Q2 2017	% Change
Revenue	\$722.8	\$533.7	35.4%
EBITDA	\$102.6	\$65.8	55.9%
Adjusted EBITDA	\$109.7	\$85.4	28.5%
<i>Adjusted EBITDA Margin</i>	<i>15.2%</i>	<i>16.0%</i>	
Income from Operations	\$73.8	\$64.8	13.8%
Adjusted Income from Operations	\$99.2	\$78.7	26.1%
<i>Adjusted Income from Operations Margin</i>	<i>13.7%</i>	<i>14.7%</i>	
Net Income	\$42.0	\$29.5	42.1%
Adjusted Net Income	\$66.1	\$51.7	27.8%
Net Income per Diluted Share	\$0.64	\$0.45	42.2%
Adjusted Net Income per Diluted Share	\$1.00	\$0.79	26.6%

(\$ in millions, except per share amounts)



Trailing Quarterly Performance

Revenue (\$M)*



Adjusted Income from Operations (\$M)



Adjusted EBITDA Margin (%)*



Adjusted EBITDA (\$M)



*2018 periods reflect the adoption of ASC 606 and periods prior to 2018 are as reported



Backlog and New Business Awards*

Net New Business Awards (\$M)



Backlog Conversion %



Ending Backlog (\$M)



Net Book-to-Bill



* Backlog and New Business Awards reported are only for our Clinical Research segment and exclude reimbursement revenue from the adoption of ASC 606.



Debt Structure

(\$ in millions)	June 30, 2017	September 30, 2017	December 31, 2017	March 31, 2018	June 30, 2018	Weighted Average Interest Rate	Maturity Date
Senior debt:							
First Lien	\$ 609.4	\$ 1,148.1	\$ 1,140.9	\$ 1,133.7	\$ 1,126.5	3.92%	December 6, 2021
Senior Notes	91.4	91.4	—	—	—		
Total	<u>\$ 700.8</u>	<u>\$ 1,239.6</u>	<u>\$ 1,140.9</u>	<u>\$ 1,133.7</u>	<u>\$ 1,126.5</u>		
Revolving credit:							
Swingline	\$ —	\$ —	\$ —	\$ —	\$ —	5.50%	December 6, 2021
Revolver	—	—	91.5	91.5	—	3.92%	December 6, 2021
Total	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 91.5</u>	<u>\$ 91.5</u>	<u>\$ —</u>		
Accounts receivable financing agreement	<u>\$ 140.0</u>	<u>\$ 120.0</u>	<u>\$ 120.0</u>	<u>\$ 120.0</u>	<u>\$ 180.0</u>	3.48%	March 31, 2021
Total outstanding debt	\$ 840.8	\$ 1,359.6	\$ 1,352.4	\$ 1,345.2	\$ 1,306.5		
Less cash on hand	<u>(113.4)</u>	<u>(193.6)</u>	<u>(192.2)</u>	<u>(129.9)</u>	<u>(122.9)</u>		
Net debt	<u><u>\$ 727.4</u></u>	<u><u>\$ 1,166.0</u></u>	<u><u>\$ 1,160.2</u></u>	<u><u>\$ 1,215.3</u></u>	<u><u>\$ 1,183.6</u></u>		
Net Debt / LTM Adjusted EBITDA	2.4x	3.6x	3.2x	3.1x	2.9x		
Covenant Net Debt / LTM Covenant Compliance EBITDA*	2.5x	3.6x	3.3x	3.1x	2.9x		

* Covenant Net Debt is limited to \$75 million in cash, with an additional limitation of \$25 million of cash held by our foreign subsidiaries. The covenant requirement at June 30, 2018 was 4.5x.



FY 2018 Guidance

	Original Guidance (Feb 21, 2018)	Reaffirmed Guidance (Apr 25, 2018)	Updated Guidance (Aug 1, 2018)
Revenue, in Millions	\$2,840.0 - \$2,950.0	\$2,840.0 - \$2,950.0	\$2,870.0 - \$2,920.0
GAAP Net Income per Diluted Share	\$2.80 - \$2.95	\$2.80 - \$2.95	\$2.92 - \$3.02
Adjusted Net Income per Diluted Share	\$4.00 - \$4.15	\$4.00 - \$4.15	\$4.13 - \$4.23
Annual Effective Income Tax Rate	24%	24%	24%

For further information regarding the reconciliation of non-GAAP measures to their corresponding GAAP equivalent please see our press release



Appendix



Backlog and New Business Awards*

(\$ in millions)

	2016					2017					2018		Q2 18 v Q2 17
	Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY	Q1	Q2	% Change
Beginning Backlog	\$ 2,440.1	\$ 2,552.8	\$ 2,649.4	\$ 2,775.6	\$ 2,440.1	\$ 2,934.8	\$ 3,080.2	\$ 3,250.5	\$ 3,384.8	\$ 2,934.8	\$ 3,535.6	\$ 3,802.6	
Ending Backlog	\$ 2,552.8	\$ 2,649.4	\$ 2,775.6	\$ 2,934.8	\$ 2,934.8	\$ 3,080.2	\$ 3,250.5	\$ 3,384.8	\$ 3,535.6	\$ 3,535.6	\$ 3,802.6	\$ 3,935.6	21.1%
Backlog Conversion %	15.3%	15.4%	15.1%	14.9%		14.6%	14.9%	14.6%	14.7%		14.3%	14.0%	
Gross New Business Awards	\$ 534.0	\$ 570.0	\$ 582.4	\$ 680.7	\$ 2,367.1	\$ 647.6	\$ 683.3	\$ 669.0	\$ 779.8	\$ 2,779.8	\$ 744.1	\$ 774.7	13.4%
Cancellations	\$ 57.8	\$ 76.1	\$ 63.3	\$ 93.4	\$ 290.6	\$ 82.8	\$ 80.0	\$ 70.6	\$ 132.6	\$ 366.0	\$ 93.8	\$ 104.7	30.9%
% of Beginning Backlog	2.4%	3.0%	2.4%	3.4%		2.8%	2.6%	2.2%	3.9%		2.7%	2.8%	
Net New Business Awards	\$ 476.2	\$ 493.9	\$ 519.1	\$ 587.3	\$ 2,076.5	\$ 564.8	\$ 603.2	\$ 598.5	\$ 647.3	\$ 2,413.7	\$ 650.3	\$ 670.0	11.1%
Net Book to Bill	1.28	1.25	1.30	1.42	1.31	1.32	1.32	1.26	1.30	1.30	1.29	1.30	

* Backlog and New Business Awards reported are only for our Clinical Research segment and exclude reimbursement revenue from the adoption of ASC 606.



Reconciliation of GAAP Net Income to EBITDA and Adjusted EBITDA

(\$ in millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net income attributable to PRA Health Sciences, Inc.	\$ 42.0	\$ 29.5	\$ 81.0	\$ 54.8
Depreciation and amortization	28.6	16.1	55.9	31.3
Interest expense, net	14.6	10.0	29.4	19.5
Provision for income taxes	17.5	10.2	35.1	18.1
EBITDA	102.6	65.8	201.4	123.7
Stock-based compensation expense	6.4	2.3	12.7	4.2
Loss on disposal of fixed assets	0.1	0.2	—	0.2
Foreign currency (gains) losses, net	(0.5)	15.0	(0.4)	22.2
Other non-operating (income) expense, net	(0.1)	0.1	0.1	0.2
Equity in income of unconsolidated joint ventures, net of tax	—	—	(0.1)	(0.1)
Transaction-related costs	0.5	—	(11.1)	0.1
Acquisition-related costs	0.3	1.5	0.4	2.9
Lease termination expense	—	—	0.1	—
Severance and restructuring charges	—	—	0.8	—
Non-cash rent adjustment	0.3	0.5	0.5	1.2
Other charges	—	—	0.4	—
Non-operating income attributable to noncontrolling interest	0.2	0.1	0.5	0.1
Adjusted EBITDA	\$ 109.7	\$ 85.4	\$ 205.5	\$ 154.7

For further information regarding the reconciliation of non-GAAP measures to their corresponding GAAP equivalent please see our press release



Reconciliation of GAAP Net Income to Adjusted Net Income

(\$ in millions, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net income attributable to PRA Health Sciences, Inc.	\$ 42.0	\$ 29.5	\$ 81.0	\$ 54.8
Provision for income taxes	17.5	10.2	35.1	18.1
Amortization of intangible assets	18.0	9.3	36.1	18.2
Amortization of deferred financing costs	0.5	0.5	1.1	1.0
Amortization of terminated interest rate swaps	1.8	1.6	3.6	3.2
Stock-based compensation expense	6.4	2.3	12.7	4.2
Loss on disposal of fixed assets	0.1	0.2	—	0.2
Foreign currency (gains) losses, net	(0.5)	15.0	(0.4)	22.2
Other non-operating (income) expense, net	(0.1)	0.1	0.1	0.2
Equity in income of unconsolidated joint ventures, net of tax	—	—	(0.1)	(0.1)
Transaction-related costs	0.5	—	(11.1)	0.1
Acquisition-related costs	0.3	1.5	0.4	2.9
Lease termination expense	—	—	0.1	—
Severance and restructuring charges	—	—	0.8	—
Non-cash rent adjustment	0.3	0.5	0.5	1.2
Other charges	—	—	0.4	—
Non-operating income attributable to noncontrolling interest	0.2	0.1	0.5	0.1
Adjusted pre-tax income	86.9	70.8	160.9	126.2
Adjusted tax expense	(20.9)	(19.1)	(38.6)	(34.1)
Adjusted net income	\$ 66.1	\$ 51.7	\$ 122.3	\$ 92.1
Diluted weighted average common shares outstanding	66	66	66	66
Adjusted net income per diluted share	\$ 1.00	\$ 0.79	\$ 1.85	\$ 1.40

For further information regarding the reconciliation of non-GAAP measures to their corresponding GAAP equivalent please see our press release



Reconciliation of GAAP Income from Operations to Adjusted Income from Operations

(\$ in millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Income from operations	\$ 73.8	\$ 64.8	\$ 145.7	\$ 114.8
Amortization of intangible assets	18.0	9.3	36.1	18.2
Stock-based compensation expense	6.4	2.3	12.7	4.2
Loss on disposal of fixed assets	0.1	0.2	—	0.2
Transaction-related costs	0.5	—	(11.1)	0.1
Acquisition-related costs	0.3	1.5	0.4	2.9
Lease termination expense	—	—	0.1	—
Severance and restructuring charges	—	—	0.8	—
Non-cash rent adjustment	0.3	0.5	0.5	1.2
Other charges	—	—	0.4	—
Income from operations attributable to noncontrolling interest	(0.1)	(0.1)	—	(0.1)
Adjusted income from operations	<u>\$ 99.2</u>	<u>\$ 78.7</u>	<u>\$ 185.7</u>	<u>\$ 141.6</u>

For further information regarding the reconciliation of non-GAAP measures to their corresponding GAAP equivalent please see our press release



Days Sales Outstanding

(\$ in millions)

	2016				2017				2018	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Accounts Receivable, net	\$ 285.7	\$ 320.6	\$ 310.5	\$ 283.4	\$ 339.1	\$ 445.0	\$ 455.9	\$ 456.2	\$ 462.2	\$ 459.4
Unbilled Services	134.4	142.8	136.6	155.6	158.1	162.4	172.2	170.8	131.4	143.5
Total Accounts Receivable and Unbilled Services, net	420.1	463.5	447.1	439.1	497.1	607.3	628.0	627.0	593.6	602.9
Advanced Billings	(323.9)	(337.5)	(318.2)	(332.5)	(326.8)	(375.9)	(493.4)	(469.2)	(437.8)	(454.3)
Net	<u>\$ 96.2</u>	<u>\$ 126.0</u>	<u>\$ 128.9</u>	<u>\$ 106.6</u>	<u>\$ 170.3</u>	<u>\$ 231.5</u>	<u>\$ 134.7</u>	<u>\$ 157.8</u>	<u>\$ 155.8</u>	<u>\$ 148.6</u>
Accounts Receivable, net	53	55	55	50	55	67	66	58	59	58
Unbilled Services	25	24	25	27	26	25	25	22	17	18
Total Accounts Receivable and Unbilled Services	78	79	80	77	81	92	90	79	76	76
Advanced Billings	(60)	(58)	(57)	(58)	(53)	(57)	(71)	(59)	(56)	(57)
Net	<u>18</u>	<u>21</u>	<u>23</u>	<u>19</u>	<u>28</u>	<u>35</u>	<u>19</u>	<u>20</u>	<u>20</u>	<u>19</u>



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