

M E D P A C E

# Jefferies Global Healthcare Conference

June 6, 2017



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CFO & COO, Laboratory Operations

# Forward Looking Statements & Non-GAAP Financial Measures

## Forward-Looking Statements

This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements contained in this presentation that do not relate to matters of historical fact should be considered forward-looking statements, including without limitation statements regarding our anticipated financial results and effective tax rate used for non-GAAP adjustment purposes. In this context, forward-looking statements often address expected future business and financial performance and financial condition, and often contain words such as "expect," "anticipate," "intend," "plan," "believe," "seek," "see," "will," "would," "target," similar expressions, and variations or negatives of these words.

These forward-looking statements are based on management's current expectations. These statements are neither promises nor guarantees, but involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements, including, but not limited to, the following: the potential loss, delay or non-renewal of our contracts, or the non-payment by customers for services we have performed; the failure to convert backlog to revenue at our present or historical conversion rate; fluctuation in our results between fiscal quarters and years; decreased operating margins due to increased pricing pressure or other pressures; failure to perform our services in accordance with contractual requirements, government regulations and ethical considerations; the impact of underpricing our contracts, overrunning our cost estimates or failing to receive approval for or experiencing delays with documentation of change orders; our failure to successfully execute our growth strategies; the impact of a failure to retain key personnel or recruit experienced personnel; the risks associated with our information systems infrastructure; our failure to manage our growth effectively; adverse results from customer or therapeutic area concentration; the risks associated with doing business internationally; the risks associated with the Foreign Corrupt Practices Act and other anti-corruption laws; future net losses; the impact of income tax rate fluctuations on operations, earnings and earnings per share; the risks associated with our intercompany pricing policies; our failure to attract suitable investigators and patients to our clinical trials; the liability risks associated with our research and development services; the risks related to our Phase I clinical services; inadequate insurance coverage for our operations and indemnification obligations; fluctuations in exchange rates; the risks related to our relationships with existing or potential customers who are in competition with each other; our failure to successfully integrate potential future acquisitions; potential impairment of goodwill or other intangible assets; our limited ability to utilize our net operating loss carryforwards or other tax attributes; the risks associated with the use and disposal of hazardous substances and waste; the failure of third parties to provide us critical support services; our limited ability to protect our intellectual property rights; the risks associated with potential future investments in our customers' business or drugs; general economic conditions in the markets in which we operate, including financial market conditions; the impact of a natural disaster or other catastrophic event; negative outsourcing trends in the biopharmaceutical industry and a reduction in aggregate expenditures and research and development budgets; our inability to compete effectively with other CROs; the impact of healthcare reform; the impact of recent consolidation in the biopharmaceutical industry; failure to comply with federal, state and foreign healthcare laws; the effect of current and proposed laws and regulations regarding the protection of personal data; our potential involvement in costly intellectual property lawsuits; actions by regulatory authorities or customers to limit the scope of or withdraw an approved drug, biologic or medical device from the market; failure to keep pace with rapid technological changes; the impact of industry-wide reputational harm to CROs; our ability to fulfill our debt obligations; the risks associated with incurring additional debt or undertaking additional debt obligations; the effect of covenant restrictions under our debt agreements on our ability to operate our business; our inability to generate sufficient cash to service all of our indebtedness; fluctuations in interest rates; and our dependence on our lenders, which may not be able to fund borrowings under the credit commitments, and our inability to borrow.

These and other important factors discussed under the caption "Risk Factors" in our Annual Report on Form 10-K filed with the Securities and Exchange Commission, or SEC, on February 28, 2017, and our other reports filed with the SEC could cause actual results to differ materially from those indicated by the forward-looking statements made in this presentation. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this release and in our filings with the SEC. Any such forward-looking statements represent management's estimates as of the date of this presentation. While we may elect to update such forward-looking statements at some point in the future, we disclaim any obligation to do so, even if subsequent events cause our views to change. These forward-looking statements should not be relied upon as representing our views as of any date subsequent to the date of this presentation.

## Non-GAAP Financial Measures

Certain financial measures presented in this presentation, such as EBITDA, Adjusted EBITDA, Adjusted EBITDA margin, Adjusted Net Income (including Adjusted Net Income per diluted share) and Free Cash Flow, are not recognized under generally accepted accounting principles in the United States of America, or U.S. GAAP. Management uses EBITDA, Adjusted EBITDA, Adjusted EBITDA margin, Adjusted Net Income (including Adjusted Net Income per diluted share) and Free Cash Flow or comparable metrics as a measurement used in evaluating our operating performance on a consistent basis, as a consideration to assess incentive compensation for our employees, for planning purposes, including the preparation of our internal annual operating budget, and to evaluate the performance and effectiveness of our operational strategies.

We believe that EBITDA, Adjusted EBITDA, and Adjusted EBITDA margin are useful to provide additional information to investors about certain material non-cash and non-recurring items. While we believe these financial measures are commonly used by investors to evaluate our performance and that of our competitors, because not all companies use identical calculations, this presentation of EBITDA, Adjusted EBITDA, and Adjusted EBITDA margin may not be comparable to other similarly titled measures of other companies and should not be considered as an alternative to performance measures derived in accordance with U.S. GAAP. EBITDA is calculated as net income (loss) attributable to Medpace Holdings, Inc. before income tax expense, interest expense, net, depreciation and amortization with Adjusted EBITDA being further adjusted for unusual and other items. Adjusted EBITDA margin is calculated by dividing Adjusted EBITDA by Service revenue, net for each period. Our presentation of EBITDA, Adjusted EBITDA, and Adjusted EBITDA margin should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items.

We utilize Free Cash Flow as a measure of profitability and an assessment of our ability to generate cash. Free Cash Flow is a commonly utilized metric that companies provide to investors, although the calculation of Free Cash Flow may not be comparable to other similarly titled metrics of other companies and should not be considered as an alternative to cash flow measures derived in accordance with U.S. GAAP. We define Free Cash Flow as net cash provided by operating activities, less capital expenditures and the principal portion of payments related to campus leases classified for accounting purposes as deemed landlord liabilities.

Adjusted Net Income (including Adjusted Net Income per diluted share) measures our operating performance by adjusting net income (loss) attributable to Medpace Holdings, Inc. to include cash expenditures related to rental payments on leases classified for accounting purposes as deemed landlord liabilities, and exclude amortization expense, certain stock based compensation award non-cash expenses, certain litigation expenses, deferred financing fees and certain other non-recurring items. Management uses this measure to evaluate our core operating results as it excludes certain items whose fluctuations from period-to-period do not necessarily correspond to changes in the core operations of the business, but includes certain items such as depreciation, interest expense and tax expense, which are otherwise excluded from Adjusted EBITDA. We believe the presentation of Adjusted Net Income (including Adjusted Net Income per diluted share) enhances our investors' overall understanding of the financial performance and cash flow of our business. You should not consider Adjusted Net Income (including Adjusted Net Income per diluted share) as an alternative to net income (loss) attributable to Medpace Holdings Inc., determined in accordance with U.S. GAAP, as an indicator of operating performance.

EBITDA, Adjusted EBITDA, Adjusted EBITDA margin, Adjusted Net Income (including Adjusted Net Income per diluted share) and Free Cash Flow have important limitations as analytical tools and you should not consider them in isolation, or as a substitute for, analysis of our results as reported under U.S. GAAP. See the consolidated financial statements included elsewhere in this prospectus for our U.S. GAAP results. Additionally, for reconciliations of EBITDA, Adjusted EBITDA, Adjusted Net Income (including Adjusted Net Income per diluted share) and Free Cash Flow to our closest reported U.S. GAAP measures, refer to the appendix of this presentation.

# The Medpace Way: Scientifically-Driven, Full-Service CRO

## ✓ Disciplined and Integrated Full-Service Operating Model

- Full-service approach (avoids functional or partial outsourcing services) delivers timely, efficient, and high-quality results for our customers, enabling us to maintain robust margins

## ✓ High-Science Approach with Deep Therapeutic Expertise

- Our therapeutic expertise encompasses areas that are among the largest, most complex, and fastest growing in pharmaceutical development, and our therapeutic leads are embedded into every aspect of a clinical trial process

## ✓ Diversified Customer Base

- Top ten customers represented 37% of FY2016 revenue
- Strong track record of serving our core customer base of small and mid-sized biopharma companies, which we believe represents an attractive growth opportunity

## ✓ Partner of Choice for Biopharmaceutical Customers

- Established reputation as a partner of choice to our core customer segment based on our differentiated approach, which yields timely and efficient trial execution

## ✓ Global Platform with Scalable Infrastructure

- Scale to compete for global trials provided by ~2,500 employees in 35 countries with centralized operations and integrated technology

## ✓ Impressive Organic Growth Track Record with Robust Margins

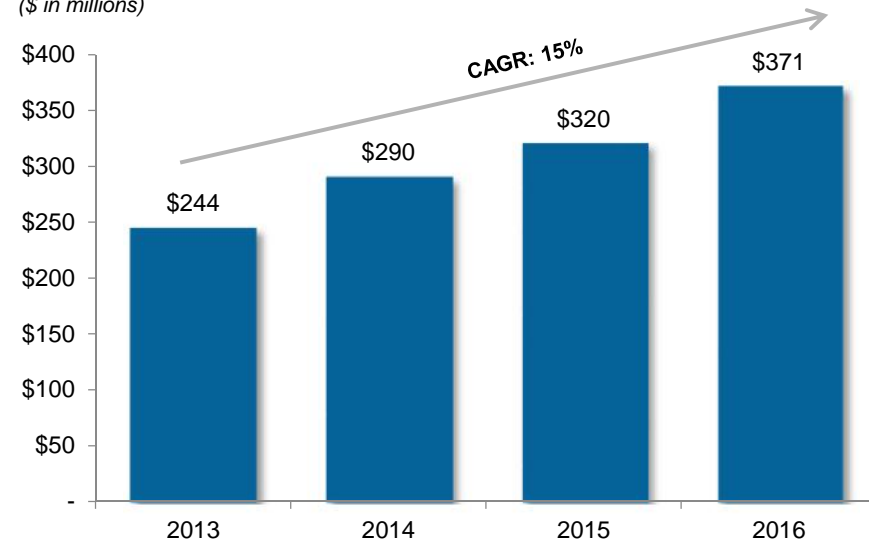
- Among the highest organic revenue growth stories in the CRO sector – net service revenue and Adjusted EBITDA CAGRs of 15% and 10%, respectively, from 2013 – 2016, with an average Adjusted EBITDA margin of 32.3%<sup>(1)</sup>

## ✓ Highly Regarded, Experienced, and Committed Management Team

- Leadership continuity with founder-led management team comprised of industry veterans with broad experience

### Robust Historical Net Service Revenue Growth

(\$ in millions)



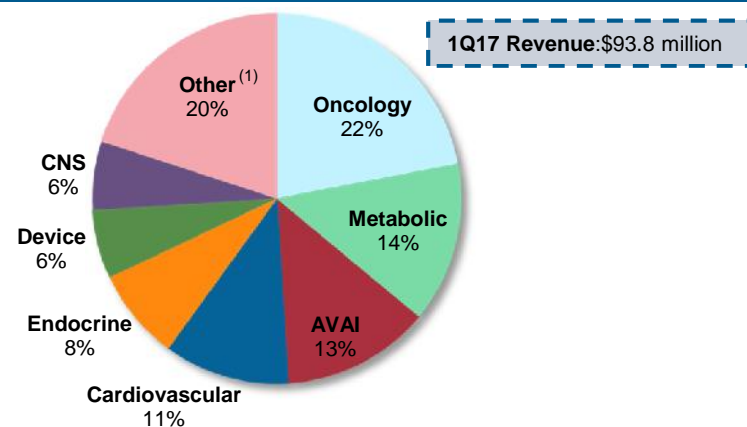
Year	Adjusted EBITDA Margin <sup>(1)</sup>
2013	35.0%
2014	31.8%
2015	31.6%
2016	30.6%

(1) See appendix to this presentation for a definition and reconciliation of EBITDA and Adjusted EBITDA to net income (loss).

# High-Science Approach with Deep Therapeutic Expertise

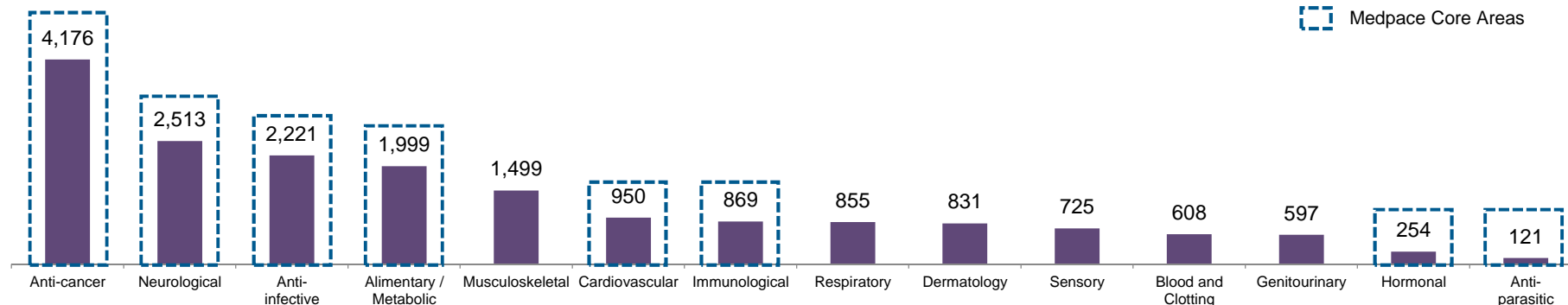
- Entry into, and growth within, target areas hinges on team and training built around highly-qualified physician leads with strong clinical, scientific, and regulatory expertise
- Therapeutic leads are embedded into every aspect of the project to position clinical trials for success
- Demonstrated durable success across multiple therapeutic areas

1Q17 Revenue by Therapeutic Area



Industry Snapshot – R&D Pipeline Currently in Development by Therapeutic Area

- Core therapeutic expertise covers the therapeutic areas where the majority of all drugs are currently in development



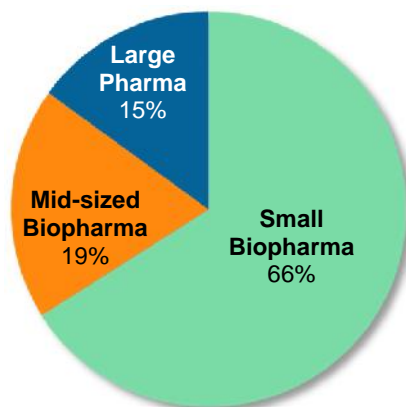
Source: Citeline Pharma R&D Annual Review 2016 as of January 2016.

(1) Other primarily includes Nephrology, Rheumatology, Musculoskeletal, Dermatology, Gastroenterology, and Ophthalmology therapeutic areas.

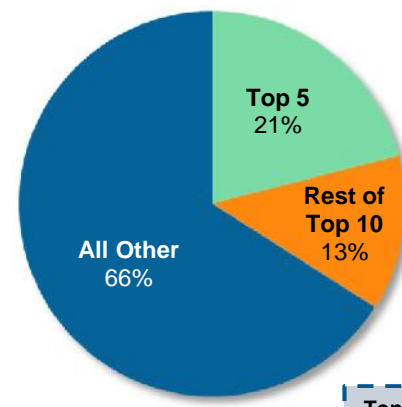
# Diversified Customer Base

- Focus on customers utilizing a full-service outsourcing model (more prevalent outside top 20 pharma)
  - These customers often do not have required development expertise and infrastructure in-house
  - These customers represent an attractive R&D growth segment
- Customer Diversification
  - No single customer represented more than 10% of revenue; top ten customers accounted for 34% of 1Q17 net service revenue

Attractive Customer Mix<sup>(1)(2)</sup>



Low Customer Concentration<sup>(1)</sup>

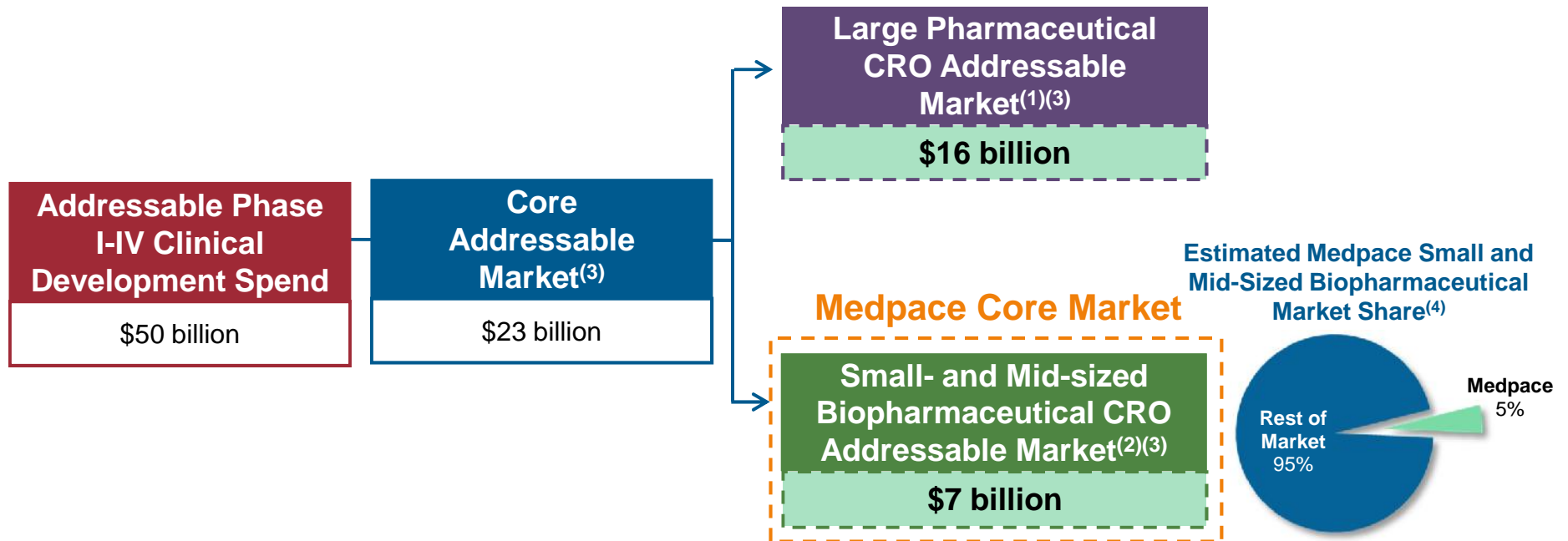


Top 10 Customers:  
34% of 1Q17 Revenue

(1) As a percent of 1Q17 net service revenue.

(2) See appendix to this presentation for definitions of large pharmaceutical, mid-sized biopharmaceutical and small biopharmaceutical companies.

# Attractive Core Addressable Market



Source: Company estimates based on industry sources, including analyst and other industry reports, and management's knowledge.

Note: Addressable market excludes: Non-addressable dev. spend and non-phase I-IV + lab spend

(1) Large pharma as classified by Evaluate Ltd in EvaluatePharma® World Preview 2016 Outlook to 2022, an industry report.

(2) Mid-sized pharmaceutical companies represent pharmaceutical companies with at least \$250 million in sales in the year ended December 31, 2015, based on publicly available data and management's knowledge, that are not classified as a top 20 pharmaceutical company by Evaluate Ltd in EvaluatePharma® World Preview 2016 Outlook to 2022, an industry report. Small- and mid-sized biotechnology companies represent biotechnology companies that have less than \$250 million in sales in the year ended December 31, 2015, based on publicly available data and management's knowledge.

(3) Assumes 70% and 40% outsourcing percentage of addressable market for small- and mid-sized biopharmaceutical companies and large pharmaceutical companies, respectively.

(4) Medpace market share based off of FY2016 service revenue of small and mid-sized biopharma customers.

# Small and Mid-Sized Biopharmaceutical Focus

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## Risks

- **Funding challenges** could result in uncertain timing of award decisions and ultimately revenue
- **Potential bad debt exposure**
- High **customer turnover**; frequently one product companies
- **Customer consolidation/acquisition**

## Rewards

- Attractive **opportunity for continued growth**
- Core customer segment firmly at the forefront of **medical innovation**
- Generally higher margin **full-service business model**
- **Diversified mix** of customers
- Value our input and our **reputation for therapeutic expertise**

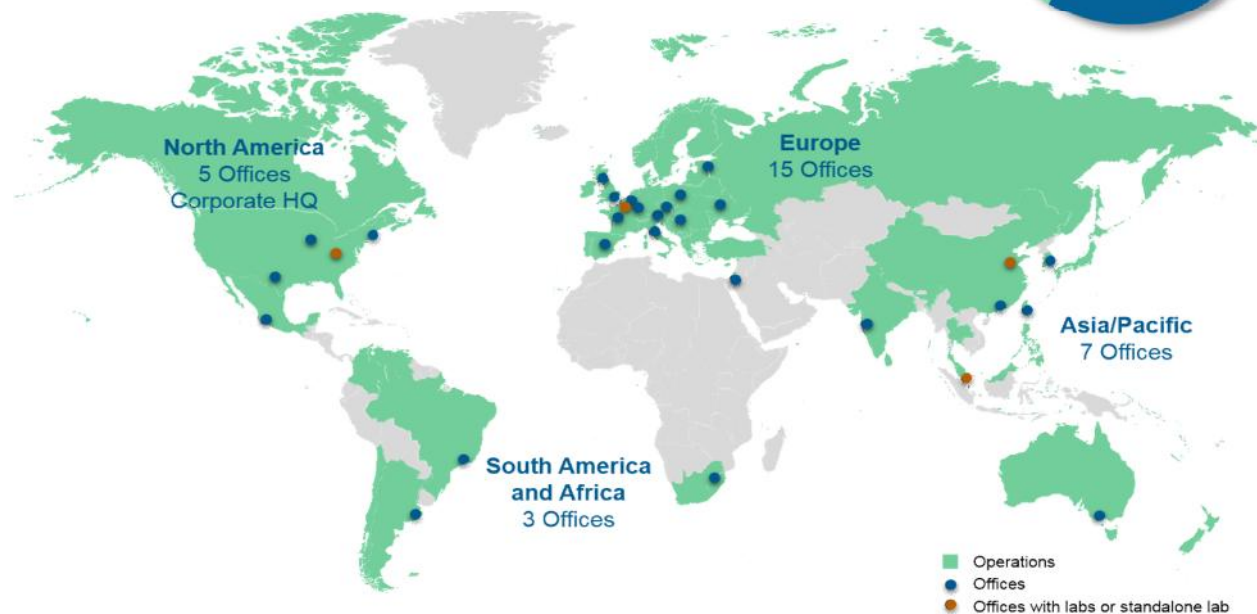
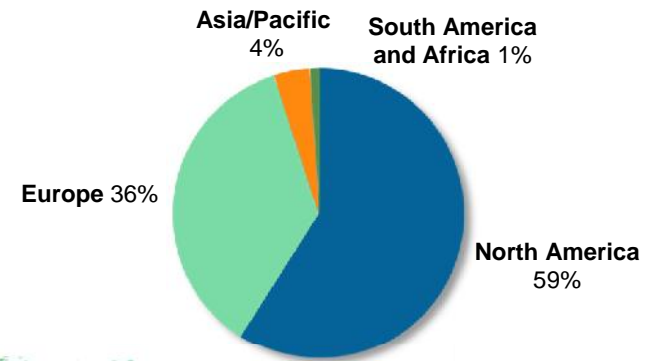
Remain focused on serving our core small and mid-sized customers which represents a segment of the market where we see robust opportunities

# Global Platform with Scalable Infrastructure

## Overview

- Global, full-service CRO with requisite scale to support large, multi-national studies
- Operations in 35 countries, 30 offices in 25 countries

## Clinical Operations Employee Breakdown by Geography<sup>(1)</sup>

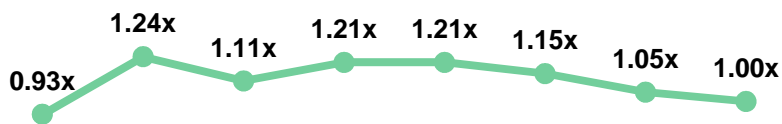


(1) As of March 31, 2017.



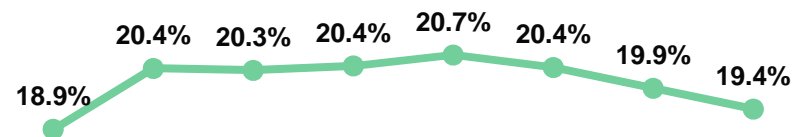
# Backlog & New Award Trend

### Net Book-to-Bill



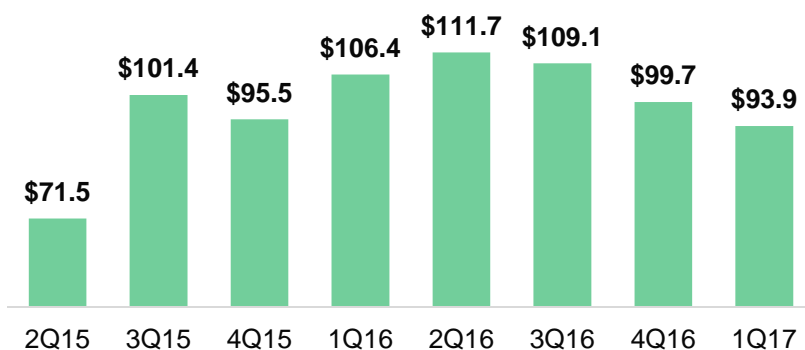
2Q15 3Q15 4Q15 1Q16 2Q16 3Q16 4Q16 1Q17

### Backlog Conversion Rate



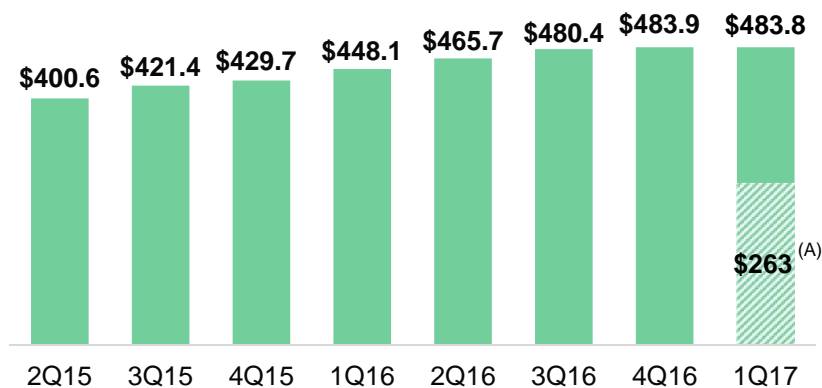
2Q15 3Q15 4Q15 1Q16 2Q16 3Q16 4Q16 1Q17

### Net New Business Awards



2Q15 3Q15 4Q15 1Q16 2Q16 3Q16 4Q16 1Q17

### Ending Backlog and Est. NTM Backlog Conversion



Represents ending backlog Represents estimated midpoint of NTM conversion (A)

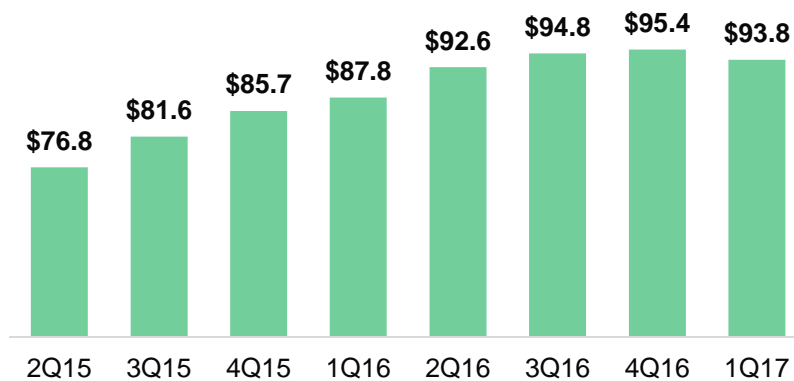
A. Amount of backlog estimated to convert to revenue in the next twelve months as of March 31, 2017.

(\$ in millions)

# Key Financial Trends

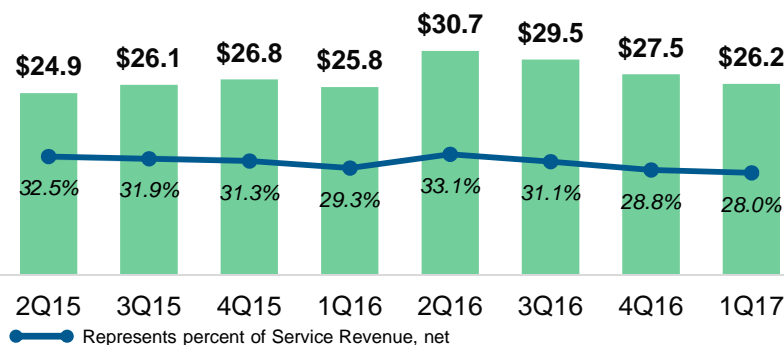
(\$ in millions)

## Service Revenue, net



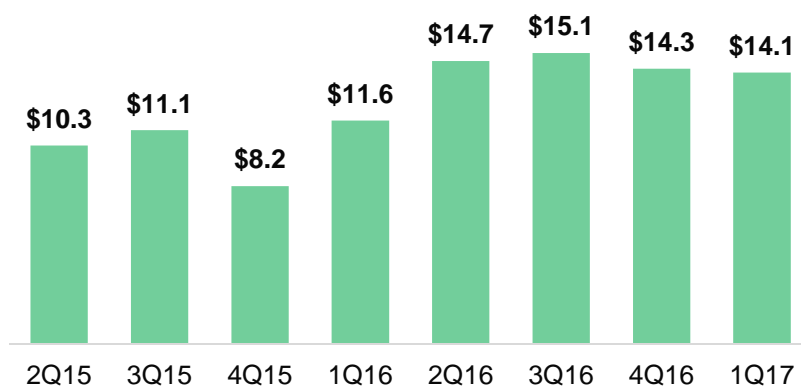
(\$ in millions)

## Adjusted EBITDA<sup>(A)</sup>

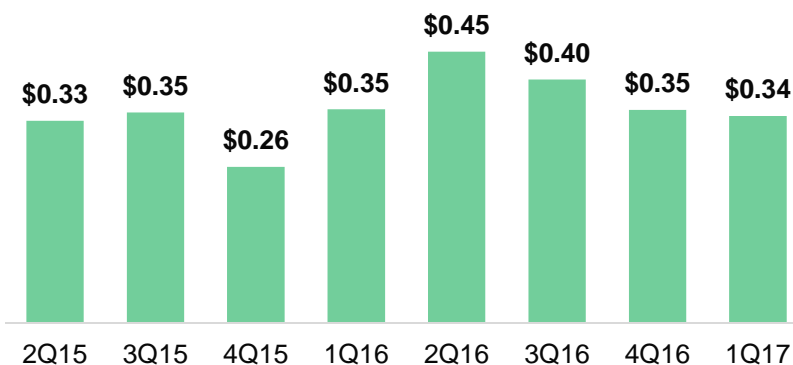


(\$ in millions)

## Adjusted Net Income<sup>(A)</sup>



## Adjusted Net Income per diluted share<sup>(A)</sup>

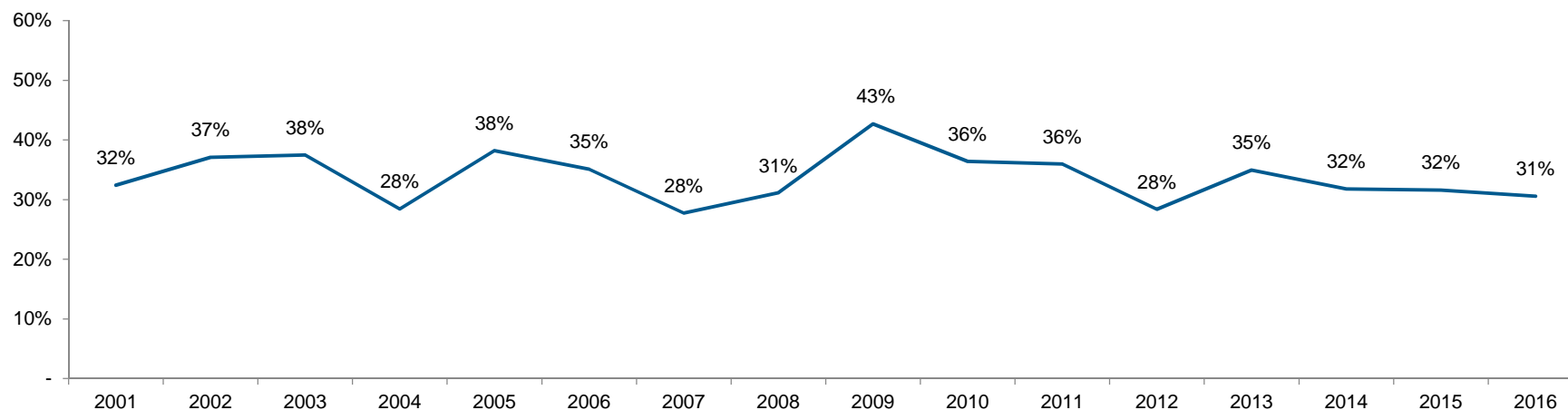


A. See the appendix for the non-GAAP reconciliation of the Adjusted EBITDA, Adjusted Net Income and Adjusted Net Income per diluted share calculations.

# Robust Margins with Demonstrated Consistency

- Consistently produced attractive Adjusted EBITDA margins since founding:
  - Key drivers are business mix and organically grown, full-service model (avoids functional or partial outsourcing services)
- Maintained average Adjusted EBITDA margins in excess of 30% while:
  - Investing in new target therapeutic areas
  - Launching both the central laboratory and bioanalytical laboratory services
  - Investing in Phase I clinical capabilities
  - Investing in geographic expansion
- Consistently shown robust margins, while significantly scaling the business and expanding globally

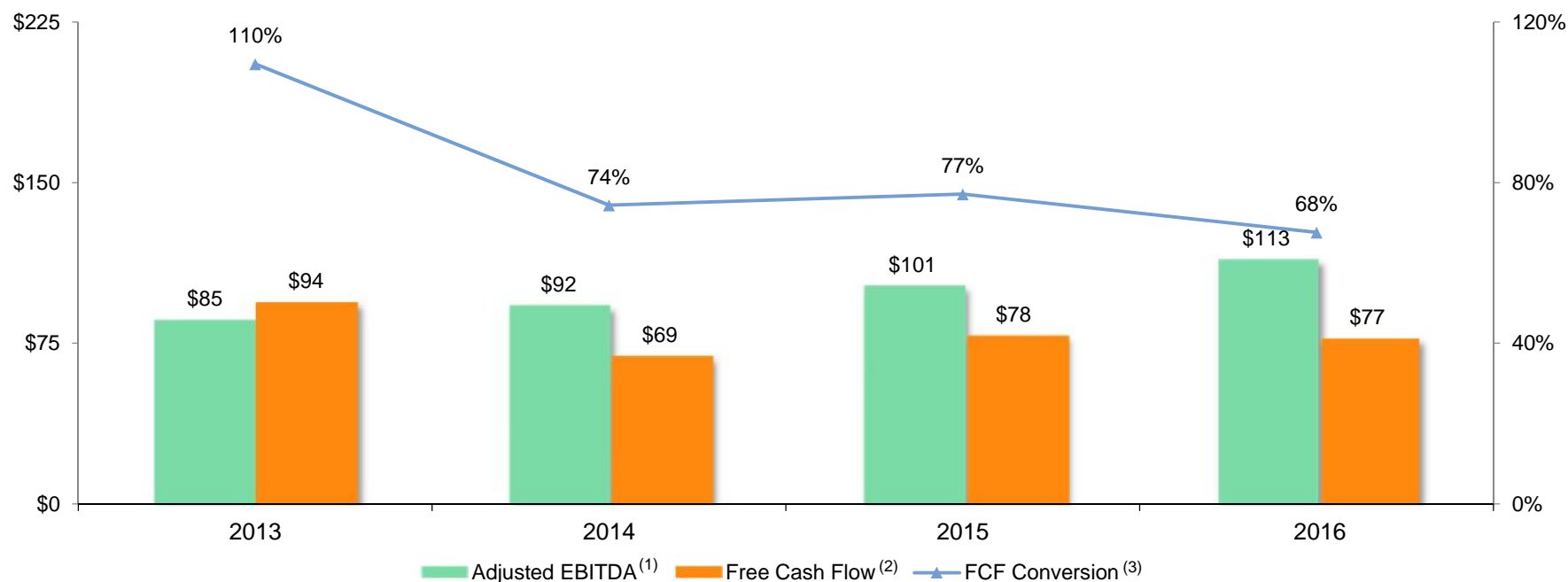
**Adjusted EBITDA Margin Average: ~34%<sup>(1)</sup>**



(1) See appendix to this presentation for a definition and reconciliation of EBITDA and Adjusted EBITDA to net income (loss).

# Attractive Free Cash Flow Profile

(\$ in millions)



<b>Net Debt / Adj. EBITDA</b>	1.7x	4.9x	3.7x	1.1x
<b>Capital Expenditures</b>	\$4.6	\$5.3	\$6.5	\$13.5
<b>% of Net Service Revenue</b>	1.9%	1.8%	2.0%	3.6%

(1) See appendix to this presentation for a definition and reconciliation of EBITDA and Adjusted EBITDA to net income (loss).

(2) See appendix to this presentation for a definition and reconciliation of Free Cash Flow.

(3) FCF Conversion equals Free Cash Flow divided by Adjusted EBITDA.

# Confidence in Future Growth

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- 1 Small and Mid-Sized Biopharma continues to be a growing and innovative segment of the market**
- 2 We have a good reputation in this segment as a leader in drug development**
- 3 Our full-service therapeutic-led approach positions us well to add value to our customers' programs**
- 4 We are executing well on active projects and have good relationships with our customers**
- 5 RFP volumes and competitive win rates remain stable**
- 6 We believe a number of pending programs have good science and will likely secure funding and move forward at some point**



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# Appendix

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# Adjusted EBITDA Reconciliation

(\$ in millions)	2013	2014	2015	2016
Net income (loss) (GAAP)	\$ 24.8	\$ (15.6)	\$ (8.7)	\$ 13.4
Income tax provision (benefit)	14.3	(5.7)	0.8	8.5
Interest expense, net	18.0	26.5	27.3	19.4
Depreciation	6.7	6.4	6.4	7.5
Amortization	23.9	61.6	63.1	50.7
<b>EBITDA (non-GAAP)</b>	<b>\$ 87.7</b>	<b>\$ 73.3</b>	<b>\$ 88.9</b>	<b>\$ 99.5</b>
Adjustments to EBITDA:				
Corporate campus lease payments (A)	(3.6)	(3.7)	(3.7)	(3.7)
Stock compensation expense: liability awards mark-to-market and CEO award (B)	-	-	9.8	5.7
Litigation matters (C)	1.4	0.9	(3.1)	-
Other transaction expenses (D)	-	-	-	1.2
Loss on extinguishment of debt (E)	-	-	-	10.7
Impairment of goodwill (F)	-	-	9.3	-
Private equity transaction related cost (G)	-	21.7	-	-
<b>Adjusted EBITDA - (non-GAAP)</b>	<b>\$ 85.4</b>	<b>\$ 92.2</b>	<b>\$ 101.2</b>	<b>\$ 113.4</b>
<b>Adjusted EBITDA margin (non-GAAP)</b>	<b>35.0%</b>	<b>31.8%</b>	<b>31.6%</b>	<b>30.6%</b>

- A. Represents cash rental payments on two corporate headquarter buildings that are accounted for as deemed assets and subject to depreciation expense over the life of the lease. Payments made for these leases are accounted for with a principal portion and an interest portion, consistent with deemed landlord liability accounting. These adjustments for purposes of arriving at Adjusted EBITDA have the effect of presenting these leases consistently with all other office lease rentals that we have globally.
- B. Represents period end mark-to-market fair value adjustments associated with liability classified awards and the impact of a one-time stock based compensation award to our chief executive officer. Future stock based awards activity is expected to be classified as equity for accounting purposes and will not be subject to period ending fair value adjustments.
- C. Represents non-recurring costs and recovery related to a customer bad debt and non-recurring expenses related to the settlement of an employment related matter.
- D. Represents advisory costs and other fees related to the August 2016 offering.
- E. Represents a loss on extinguishment of long-term debt in connection with the repayment and extinguishment of our obligations under the previous Senior Secured Credit Facilities during the fourth quarter of 2016.
- F. Represents an impairment of goodwill on the Clinics reporting unit that was recorded in the fourth quarter of 2015
- G. Represents attorney fees, advisory fees and other professional service fees incurred in connection with the Cinven transaction.

Note: Numbers may not sum due to rounding

# Free Cash Flow Reconciliation

(S in millions)	2013	2014	2015	2016
Operating Cash Flow (GAAP)	\$ 98.1	\$ 75.3	\$ 85.9	\$ 91.7
Less: CAPEX	(4.6)	(5.3)	(6.5)	(13.5)
Less: Campus Lease (A)	-	(1.4)	(1.3)	(1.5)
Free Cash Flow (non-GAAP)	\$ 93.6	\$ 68.6	\$ 78.1	\$ 76.7
Adjusted EBITDA - (non-GAAP)	\$ 85.4	\$ 92.2	\$ 101.2	\$ 113.4
Free Cash Flow Conversion % (non-GAAP) (B)	109.6%	74.4%	77.2%	67.6%

A. Represents principal portion of Corporate Campus Lease payment.

B. Free Cash Flow Conversion % is equal to Free Cash Flow divided by Adjusted EBITDA.

*Note: Numbers may not sum due to rounding*



# Adjusted EBITDA Reconciliation Trends

(\$ in millions)		2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	1Q17
Net income (loss) as reported (GAAP)		\$ 0.1	\$ (0.1)	\$ (8.6)	\$ 3.4	\$ 5.0	\$ 5.0	\$ ( - )	8.4
Income tax provision		0.9	0.6	0.9	2.5	3.2	2.5	0.2	5.3
Interest expense, net		6.9	6.7	6.6	6.0	5.9	4.7	2.8	1.8
Depreciation		1.5	1.6	1.7	1.8	1.8	1.9	2.0	2.1
Amortization		17.0	15.8	13.1	12.7	12.7	12.7	12.7	9.4
EBITDA (non-GAAP)		<u>\$ 26.4</u>	<u>\$ 24.6</u>	<u>\$ 13.7</u>	<u>\$ 26.4</u>	<u>\$ 28.6</u>	<u>\$ 26.8</u>	<u>\$ 17.7</u>	<u>\$ 27.2</u>
Adjustments to EBITDA:									
Corporate campus lease payments	(A)	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)
Stock compensation expense: liability awards mark-to-market and CEO award	(B)	(0.2)	5.1	4.7	-	2.6	3.1	-	-
Litigation matters	(C)	(0.4)	(2.7)	-	-	-	-	-	-
Other transaction expenses	(D)	-	-	-	0.3	0.4	0.5	-	-
Loss on extinguishment of debt	(E)	-	-	-	-	-	-	10.7	-
Impairment of goodwill	(F)	-	-	9.3	-	-	-	-	-
Adjusted EBITDA (non-GAAP)		<u>\$ 24.9</u>	<u>\$ 26.1</u>	<u>\$ 26.8</u>	<u>\$ 25.8</u>	<u>\$ 30.7</u>	<u>\$ 29.5</u>	<u>\$ 27.5</u>	<u>\$ 26.2</u>

- A. Represents cash rental payments on two corporate headquarter buildings that are accounted for as deemed assets and subject to depreciation expense over the life of the lease. Payments made for these leases are accounted for with a principal portion and an interest portion, consistent with deemed landlord liability accounting. These adjustments for purposes of arriving at Adjusted EBITDA have the effect of presenting these leases consistently with all other office lease rentals that we have globally.
- B. Represents period end mark-to-market fair value adjustments associated with liability classified awards and the impact of a one-time stock based compensation award to our chief executive officer. Future stock based awards activity is expected to be classified as equity for accounting purposes and will not be subject to period ending fair value adjustments.
- C. Represents net recoveries related to a customer bad debt and the settlement of an employment related matter. The expenses related to these items were considered non-recurring and were added back in prior quarters.
- D. Represents advisory costs and other fees related to the August 2016 offering.
- E. Represents a loss on extinguishment of long-term debt in connection with the repayment and extinguishment of our obligations under the previous Senior Secured Credit Facilities during the fourth quarter of 2016.
- F. Represents an impairment of goodwill on the Clinics reporting unit that was recorded in the fourth quarter of 2015.

Note: Numbers may not sum due to rounding

# Adjusted Net Income Reconciliation Trends

(\$ in millions, except per share amounts)	2Q15	3Q15	4Q15	1Q16	2Q16	3Q16	4Q16	1Q17
Net income (loss) as reported (GAAP)	\$ 0.1	\$ (0.1)	\$ (8.6)	\$ 3.4	\$ 5.0	\$ 5.0	\$ ( - )	8.4
Amortization	17.0	15.8	13.1	12.7	12.7	12.7	12.7	9.4
Stock based compensation expense: liability awards mark-to-market and CEO award	(A) (0.2)	5.1	4.7	-	2.6	3.1	-	-
Corporate campus lease payments-principal portion	(B) (0.3)	(0.4)	(0.3)	(0.3)	(0.4)	(0.4)	(0.4)	(0.4)
Litigation matters	(C) (0.4)	(2.8)	-	-	-	-	-	-
Deferred financing fees	(D) 0.7	0.7	0.7	0.7	0.7	0.7	0.5	0.2
Impairment of goodwill	(E) -	-	9.3	-	-	-	-	-
Other transaction expenses	(F) -	-	-	0.3	0.4	0.5	-	-
Loss on extinguishment of debt	(G) -	-	-	-	-	-	10.7	-
Income tax effect of adjustments	(H) (6.6)	(7.2)	(10.7)	(5.2)	(6.3)	(6.5)	(9.2)	(3.6)
Adjusted Net Income (non-GAAP)	<u>\$ 10.3</u>	<u>\$ 11.1</u>	<u>\$ 8.2</u>	<u>\$ 11.6</u>	<u>\$ 14.7</u>	<u>\$ 15.1</u>	<u>\$ 14.3</u>	<u>\$ 14.1</u>
Net Income (loss) per diluted share (GAAP)	\$ -	\$ ( - )	\$ (0.27)	\$ 0.11	\$ 0.15	\$ 0.13	\$ ( - )	\$ 0.20
Adjusted Net Income per diluted share (non-GAAP)	\$ 0.33	\$ 0.35	\$ 0.26	\$ 0.35	\$ 0.45	\$ 0.40	\$ 0.35	\$ 0.34
Diluted weighted average common shares outstanding (GAAP)	31.8	31.4	31.6	32.6	32.8	37.6	40.7	41.5
Adjusted diluted weighted average common shares outstanding (non-GAAP)	(I) 31.8	31.4	31.6	32.6	32.8	37.6	41.4	41.5

- A. Represents period end mark-to-market fair value adjustments associated with liability classified awards and the impact of a one-time stock based compensation award to our chief executive officer. Future stock based awards activity is expected to be classified as equity for accounting purposes and will not be subject to period ending fair value adjustments.
- B. Represents cash rental payments on two corporate headquarter buildings that are accounted for as deemed assets and subject to depreciation expense over the life of the lease. Payments made for these leases are accounted for with a principal portion and an interest portion, consistent with deemed landlord liability accounting. These adjustments for purposes of arriving at Adjusted Net Income have the effect of presenting these leases consistently with all other office lease rentals that we have globally.
- C. Represents net recoveries related to a customer bad debt and the settlement of an employment related matter. The expenses related to these items were considered non-recurring and were added back in prior quarters.
- D. Represents amortization of the discount and issuance costs deferred on the consolidated balance sheet associated with the issuance of the Senior Secured Credit Facility.
- E. Represents an impairment of goodwill on the Clinics reporting unit that was recorded in the fourth quarter of 2015.
- F. Represents advisory costs and other fees related to the August 2016 offering.
- G. Represents a loss on extinguishment of long-term debt in connection with the repayment and extinguishment of our obligations under the previous Senior Secured Credit Facilities during the fourth quarter of 2016.
- H. Represents the tax effect of the total adjustments at an estimated effective tax rate of 39%.
- I. For GAAP purposes, in a period where a net loss is recorded there is no dilution to weighted average common shares outstanding. When considering Adjusted Net Income, however, dilution would be applicable and is considered for purposes of determining Adjusted Net Income per diluted share.

Note: Numbers may not sum due to rounding

# Glossary

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- 1) **Adjusted EBITDA** is defined as EBITDA, adjusted to exclude non-cash liability-based stock awards, mark-to-market adjustments and CEO 2015 award only, private equity transaction-related cost, corporate campus lease payments, non-recurring litigation matters, goodwill impairment charges, and advisory costs and other fees related to our initial public offering.
- 2) **Backlog** represents anticipated future net service revenue from net new business awards that have not commenced or are currently in process but not complete.
- 3) **Backlog conversion** is defined as net service revenue for the quarter divided by beginning backlog. Year-end and half-year backlog conversion figures represent the average historical backlog conversion for all quarters in the relevant year-end and half-year periods.
- 4) **Free Cash Flow** is defined as net cash provided by operating activities, less capital expenditures and the principal portion of payments related to campus leases classified for accounting purposes as deemed landlord liabilities.
- 5) **Large pharmaceutical companies** represent the top 20 pharmaceutical companies by worldwide prescription drug sales in the year ended December 31, 2015 as classified by Evaluate Ltd in *EvaluatePharma© World Preview 2016 Outlook to 2022*, an industry report.
- 6) **Mid-sized biopharmaceutical companies** represent biopharmaceutical companies with at least \$250 million in sales in the year ended December 31, 2015, based on publicly available data and management's knowledge, that are not classified as a top 20 pharmaceutical company by Evaluate Ltd in *EvaluatePharma© World Preview 2016 Outlook to 2022*, an industry report.
- 7) **Net book-to-bill** is defined as net new business awards divided by net service revenue for a given period.
- 8) **Net new business awards** are new business awards net of award modifications and cancellations that had previously been recognized in backlog during the period. New business awards represent the value of anticipated future net service revenue that has been awarded during the period that is recognized in backlog. This value is recognized upon the signing of a contract or receipt of a written pre-contract confirmation from a customer that confirms an agreement in principle on budget and scope. New business awards also include contract amendments, or changes in scope, where the customer has provided written authorization for changes in budget and scope or has approved us to perform additional work as of the measurement date. Awards may not be recognized as backlog after consideration of a number of factors, including whether (i) the relevant net service revenue is expected only after a pending regulatory hurdle, which might result in cancellation of the study, (ii) the customer funding needed for commencement of the study is not believed to have been secured or (iii) study timelines are uncertain or not well defined. In addition, study amounts that extend beyond a three-year timeline are not included in backlog.
- 9) **Small biopharmaceutical companies** represent biopharmaceutical companies that have less than \$250 million in sales in the year ended December 31, 2015, based on publicly available data and management's knowledge.