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Medpace Holdings, Inc. Reports First Quarter 2023 Results

- Revenue of \$434.1 million in the first quarter of 2023 increased 31.2% from revenue of \$330.9 million for the comparable prior-year period, representing a backlog conversion rate of 18.6%.
- Net new business awards were \$555.8 million in the first quarter of 2023, representing an increase of 31.4% from net new business awards of \$423.0 million for the comparable prior-year period, which resulted in a net book-to-bill ratio of 1.28x.
- First quarter of 2023 GAAP net income was \$72.9 million, or \$2.27 per diluted share, versus GAAP net income of \$61.3 million, or \$1.69 per diluted share, for the comparable prior-year period. Net income margin was 16.8% and 18.5% for the first quarter of 2023 and 2022, respectively.
- EBITDA was \$92.8 million for the first quarter of 2023, an increase of 31.9% from EBITDA of \$70.4 million for the comparable prior-year period, resulting in an EBITDA margin of 21.4%.

CINCINNATI, OHIO, April 24, 2023-- Medpace Holdings, Inc. (Nasdaq: MEDP) ("Medpace") today announced financial results for the first quarter ended March 31, 2023.

First Quarter 2023 Financial Results

Revenue for the three months ended March 31, 2023 increased 31.2% to \$434.1 million, compared to \$330.9 million for the comparable prior-year period. On a constant currency basis, revenue for the first quarter of 2023 increased 31.8% compared to the first quarter of 2022.

Backlog as of March 31, 2023 increased 17.8% to \$2,460.1 million from \$2,088.0 million as of March 31, 2022. Net new business awards were \$555.8 million, representing a net book-to-bill ratio of 1.28x for the first quarter of 2023, as compared to \$423.0 million for the comparable prior-year period. The Company calculates the net book-to-bill ratio by dividing net new business awards by revenue.

For the first quarter of 2023, total direct costs were \$303.9 million, compared to total direct costs of \$232.3 million in the first quarter of 2022. Selling, general and administrative (SG&A) expenses were \$38.0 million in the first quarter of 2023, compared to SG&A expenses of \$29.4 million in the first quarter of 2022.

GAAP net income for the first quarter of 2023 was \$72.9 million, or \$2.27 per diluted share, versus GAAP net income of \$61.3 million, or \$1.69 per diluted share, for the first quarter of 2022. This resulted in a net income margin of 16.8% and 18.5% for the first quarter of 2023 and 2022, respectively.

EBITDA for the first quarter of 2023 increased 31.9% to \$92.8 million, or 21.4% of revenue, compared to \$70.4 million, or 21.3% of revenue, for the comparable prior-year period. On a constant currency basis, EBITDA for the first quarter of 2023 increased 28.6% from the first quarter of 2022.

A reconciliation of the Company's non-GAAP financial measures, including EBITDA and EBITDA margin to the corresponding GAAP measures is provided below.

Balance Sheet and Liquidity

The Company's Cash and cash equivalents were \$46.9 million at March 31, 2023, and the Company generated \$80.1 million in cash flow from operating activities during the first quarter of 2023. Short-term debt was \$115.0 million at March 31, 2023.

During the first quarter of 2023, the Company repurchased 654,787 shares for a total of \$120.1 million. As of March 31, 2023, the Company had \$332.7 million remaining under its authorized share repurchase program.

2023 Financial Guidance

The Company forecasts 2023 revenue in the range of \$1.745 billion to \$1.805 billion, representing growth of 19.5% to 23.6% over 2022 revenue of \$1.460 billion. GAAP net income for full year 2023 is forecasted in the range of \$250.0 million to \$269.0 million. Additionally, full year 2023 EBITDA is expected in the range of \$335.0 million to \$355.0 million. Based on forecasted 2023 revenue of \$1.745 billion to \$1.805 billion and GAAP net income of \$250.0 million to \$269.0 million, diluted earnings per share (GAAP) is forecasted in the range of \$7.81 to \$8.40. This guidance assumes a full year 2023 tax rate of 17.5% to 18.5% and does not reflect the potential impact of any share repurchases the Company may make after March 31, 2023.

Conference Call Details

Medpace will host a conference call at 9:00 a.m. ET, Tuesday, April 25, 2023, to discuss its first quarter 2023 results.

To participate in the conference call, interested parties must register in advance by clicking on [this link](#). While it is not required, it is recommended you join 10 minutes prior to the event start. Upon registration, all telephone participants will receive a confirmation email detailing how to join the conference call, including the dial-in number along with a unique PIN that can be used to access the call.

To access the conference call via webcast, visit the "Investors" section of Medpace's website at medpace.com. The webcast replay of the call will be available at the same site approximately one hour after the end of the call. A supplemental slide presentation will also be available at the "Investors" section of Medpace's website prior to the start of the call.

About Medpace

Medpace is a scientifically-driven, global, full-service clinical contract research organization (CRO) providing Phase I-IV clinical development services to the biotechnology, pharmaceutical and medical device industries. Medpace's mission is to accelerate the global development of safe and effective medical therapeutics through its high-science and disciplined operating approach that leverages regulatory and therapeutic expertise across all major areas including oncology, cardiology, metabolic disease, endocrinology, central nervous system and anti-viral and anti-infective. Headquartered in Cincinnati, Ohio, Medpace employs approximately 5,400 people across 40 countries as of March 31, 2023.

Forward-Looking Statements

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements contained in this press release that do not relate to matters of historical fact should be considered forward-looking statements, including without limitation, statements regarding our forecasted financial results and the 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 "guidance," "expect," "anticipate," "intend," "plan," "believe," "seek," "see," "will," "would," "target," "forecast," "may," "could," "likely," "anticipate," "project," "goal," "objective," "potential," "range," "estimate," "preliminary," 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 financial condition, actual results, performance (including share price 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(s); the failure to maintain or generate new business awards; fluctuation in our results between fiscal quarters and years; the risks and uncertainties related to disruptions to or reductions in business operations or prospects due to pandemics, epidemics, widespread health emergencies, or outbreaks of infectious diseases such as coronavirus disease COVID-19; decreased operating margins due to increased pricing pressure or other factors; our 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 increase our market share, grow our business, successfully execute our growth strategies or manage our growth effectively; the impact of a failure to retain key executives or other personnel or recruit experienced personnel; the risks associated with our information systems infrastructure, including potential cybersecurity breaches and other disruptions which could compromise patient information or our information; adverse results from customer or therapeutic area concentration; the risks associated with doing business internationally, including the effects of tariffs and trade wars; the risks associated with the Foreign Corrupt Practices Act and other anti-corruption laws; future net losses; the impact of changes in tax laws and regulations; our failure to attract suitable investigators and patients to our clinical trials; the liability risks associated with our research and development services, including risks of liability resulting from harm to patients; inadequate insurance coverage for our operations and indemnification obligations; fluctuations in exchange rates; general economic conditions, including inflation, in the markets in which we operate, including financial market conditions; the impact of unfavorable economic conditions, including conditions caused by the uncertain international economic environment and current and future international conflicts; 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 consolidation in the biopharmaceutical industry; our 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 indications related to or withdraw an approved drug, biologic or medical device from the market; and the impact of industry-wide reputational harm to CROs.

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, 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 press release. We cannot guarantee that any forward-looking statement will be realized. Achievement of anticipated results is subject to substantial risks, uncertainties and inaccurate assumptions. If known or unknown risks or uncertainties materialize or if underlying assumptions prove inaccurate, actual results could vary materially from past results and those anticipated, estimated or projected. 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 press release. 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, developments or circumstances 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 press release.

Non-GAAP Financial Measures

Certain financial measures presented in this press release, such as EBITDA and EBITDA margin, are not recognized under generally accepted accounting principles in the United States of America, or U.S. GAAP. Management uses EBITDA and EBITDA margin 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.

EBITDA and EBITDA margin 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 condensed consolidated financial statements included elsewhere in this release for our U.S. GAAP results. Additionally, for reconciliations of EBITDA and

EBITDA margin to our closest reported U.S. GAAP measures, refer to the appendix of this press release. We believe that EBITDA and 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 and 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 attributable to Medpace Holdings, Inc. before income tax expense, interest expense, net, depreciation and amortization. EBITDA margin is calculated by dividing EBITDA by Revenue, net for each period. Our presentation of EBITDA and EBITDA margin should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items.

MEDPACE HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(Amounts in thousands, except per share amounts)

	Three Months Ended March 31,	
	2023	2022
Revenue, net	\$ 434,074	\$ 330,947
Operating expenses:		
Direct service costs, excluding depreciation and amortization	151,068	125,434
Reimbursed out-of-pocket expenses	152,817	106,836
Total direct costs	<u>303,885</u>	<u>232,270</u>
Selling, general and administrative	38,027	29,366
Depreciation	5,408	4,270
Amortization	550	838
Total operating expenses	<u>347,870</u>	<u>266,744</u>
Income from operations	86,204	64,203
Other (expense) income, net:		
Miscellaneous income, net	687	1,067
Interest (expense) income, net	(861)	54
Total other (expense) income, net	<u>(174)</u>	<u>1,121</u>
Income before income taxes	86,030	65,324
Income tax provision	13,136	4,013
Net income	<u>\$ 72,894</u>	<u>\$ 61,311</u>
Net income per share attributable to common shareholders:		
Basic	\$ 2.35	\$ 1.75
Diluted	\$ 2.27	\$ 1.69
Weighted average common shares outstanding:		
Basic	31,008	34,918
Diluted	32,155	36,364

MEDPACE HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(Amounts in thousands, except share amounts)

	As of	
	March 31, 2023	December 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 46,922	\$ 28,265
Accounts receivable and unbilled, net	257,746	253,404
Prepaid expenses and other current assets	62,954	52,293
Total current assets	367,622	333,962
Property and equipment, net	113,755	109,849
Operating lease right-of-use assets	143,309	139,068
Goodwill	662,396	662,396
Intangible assets, net	37,458	38,008
Deferred income taxes	49,157	48,083
Other assets	22,026	21,129
Total assets	<u>\$ 1,395,723</u>	<u>\$ 1,352,495</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 37,110	\$ 33,069
Accrued expenses	201,201	210,125
Advanced billings	466,040	462,729
Short-term debt	115,000	50,000
Other current liabilities	62,538	47,547
Total current liabilities	881,889	803,470
Operating lease liabilities	142,689	138,867
Deferred income tax liability	1,090	1,070
Other long-term liabilities	22,793	22,701
Total liabilities	1,048,461	966,108
Commitments and contingencies		
Shareholders' equity:		
Preferred stock - \$0.01 par-value; 5,000,000 shares authorized; no shares issued and outstanding at March 31, 2023 and December 31, 2022, respectively	—	—
Common stock - \$0.01 par-value; 250,000,000 shares authorized at March 31, 2023 and December 31, 2022, respectively; 30,623,655 and 31,091,694 shares issued and outstanding at March 31, 2023 and December 31, 2022, respectively	306	309
Treasury stock - 70,573 and 71,573 shares at March 31, 2023 and December 31, 2022, respectively	(12,322)	(12,497)
Additional paid-in capital	778,691	770,794
Accumulated deficit	(408,099)	(359,827)
Accumulated other comprehensive loss	(11,314)	(12,392)
Total shareholders' equity	347,262	386,387
Total liabilities and shareholders' equity	<u>\$ 1,395,723</u>	<u>\$ 1,352,495</u>

MEDPACE HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(Amounts in thousands)

	Three Months Ended March 31,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 72,894	\$ 61,311
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	5,408	4,270
Amortization	550	838
Stock-based compensation expense	5,438	4,372
Noncash lease expense	4,757	4,537
Deferred income tax benefit	(1,063)	(713)
Other	(1,455)	(420)
Changes in assets and liabilities:		
Accounts receivable and unbilled, net	(4,344)	(38,224)
Prepaid expenses and other current assets	(10,205)	(5,547)
Accounts payable	4,457	(1,041)
Accrued expenses	(9,364)	(3,651)
Advanced billings	3,311	22,580
Lease liabilities	(5,284)	(3,542)
Other assets and liabilities, net	14,976	1,486
Net cash provided by operating activities	<u>80,076</u>	<u>46,256</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property and equipment expenditures	(9,513)	(9,257)
Other	10	(1,951)
Net cash used in investing activities	<u>(9,503)</u>	<u>(11,208)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from stock option exercises	2,463	13,867
Repurchases of common stock	(120,146)	(425,950)
Proceeds from revolving loan	90,000	49,500
Payments on revolving loan	(25,000)	(49,500)
Net cash used in financing activities	<u>(52,683)</u>	<u>(412,083)</u>
EFFECT OF EXCHANGE RATES ON CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	767	(1,426)
INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	18,657	(378,461)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH — Beginning of period	<u>28,265</u>	<u>461,304</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH — End of period	<u>\$ 46,922</u>	<u>\$ 82,843</u>

MEDPACE HOLDINGS, INC. AND SUBSIDIARIES
RECONCILIATION OF NON-GAAP MEASURES (UNAUDITED)

(Amounts in thousands)

Three Months Ended
 March 31,

2023 2022

RECONCILIATION OF GAAP NET INCOME TO EBITDA

Net income (GAAP)	\$ 72,894	\$ 61,311
Interest expense (income), net	861	(54)
Income tax provision	13,136	4,013
Depreciation	5,408	4,270
Amortization	550	838
EBITDA (Non-GAAP)	\$ 92,849	\$ 70,378
Net income margin (GAAP)	16.8 %	18.5 %
EBITDA margin (Non-GAAP)	21.4 %	21.3 %

FY 2023 GUIDANCE RECONCILIATION (UNAUDITED)

(Amounts in millions, except per share amounts)

Forecast 2023

	Net Income		Net income per diluted share	
	Low	High	Low	High
Net income and net income per diluted share (GAAP)	\$ 250.0	\$ 269.0	\$ 7.81	\$ 8.40
Income tax provision	56.7	57.7		
Interest expense, net	1.7	1.7		
Depreciation	24.4	24.4		
Amortization	2.2	2.2		
EBITDA (Non-GAAP)	\$ 335.0	\$ 355.0		