Parexel International Corp. Ticker: PRXL Sector: Healthcare Industry: Life Sciences Tools & Svcs	Intrinsic Value: $71.90 Current Price: $54.35 Stop Loss: $46.00 Upside Review: $75.00	TTM P/E: 21.92 Forward P/E: 23.04 Beta: 0.94	Market Cap: $3.01B Dividend Yield: N/A 52 Week Range: $37.53 – 64.72

Business Summary: PAREXEL is a leading biopharmaceutical services company, or contract research organization (CRO), providing a broad range of expertise in clinical research, medical communications, consulting, commercialization and other services to pharmaceutical, biotechnology and medical device firms worldwide. (S&P)

Industry Trends: Coming out of the economic recession, healthcare R&D spending has increased on average 6-8% per year and is projected to increase. At the same time, CROs have grown on average 10% per year, accounting for 25% of total R&D spending. The percentage of R&D spending going to CROs is expected to increase as well. Transforming the fixed costs of drug development into a variable cost is attractive to manufactures. They also benefit from CROs' expertise in accelerated approaches to bring drugs to market.

Investment Thesis: PRXL is a leader in this space with a large backlog of work ($4.9B). Amid a steady stream of revenues, they are in the midst of an overhaul to reduce costs, improve efficiencies, and increase margins. PRXL is a true global company. The Asia Pacific region, where PRXL is an industry leader, is projected to account for 30% of R&D spending. Also, PRXL is a leader in biosimiliars which is an emerging and attractive drug market. Finally, a fragmented market creates a landscape which fosters growth through both organic means and M&As.

Competitive Analysis: PRXL is an industry leading CRO that works with all major drug manufactures. They are experts in both bringing drugs to market through accelerated pathways and understanding regulatory environments all around the globe. PRXL is also a leader in biosimiliars and were involved in the first successfully approved. Finally, along with contract research services, they are leaders in consulting and information services as well.

Pros:

- Large backlog of $4.9B in future revenues.
- Global leader with large presence around the globe. Industry leader in Asia Pacific which is expected to account for 30% of all R&D spending.
- The percentage of R&D spending going to CROs is growing more quickly than R&D spending as a whole.
- In the midst company overhaul to reduce costs, improve efficiency, and increase margins.

Risk Factors:

- As a pure contract organization, there is a degree or uncertainty in revenue streams.
- As a global business, exchange rates have a large effect on revenues.

5 Year Stock Performance:

Competitor Comparison:

Direct Competitor Comparison

	PRXL	CVD	Q	Industry
Market Cap:	2.97B	5.69B	7.62B	232.31M
Employees:	15,980	11,863	32,100	433.00
Qtrly Rev Growth (yoy):	0.09	0.08	0.14	0.16
Revenue (ttm):	1.98B	2.49B	4.11B	74.06M
Gross Margin (ttm):	0.35	0.30	0.35	0.47
EBITDA (ttm):	294.63M	402.42M	657.16M	-677.36K
Operating Margin (ttm):	0.11	0.11	0.14	-0.07
Net Income (ttm):	140.28M	157.80M	340.95M	N/A
EPS (ttm):	2.47	2.74	2.37	N/A
P/E (ttm):	22.02	36.73	25.21	25.41
PEG (5 yr expected):	1.18	1.43	1.63	1.44
P/S (ttm):	1.50	1.81	1.82	3.54

Information from: Bloomberg, Value Line, S&P Net Advantage, Yahoo

Total Return Estimates
3 Yr FV Reversion: 9.78%
5 Yr FV Reversion: 5.76%

Key Valuation Assumptions
Est Revenue Growth: 12%
WACC: 8.6%
Expected Inflation: 1.7%
Terminal Growth Rate: 3.5%
10 Yr Risk Free Rate: 2.4%
Equity Risk Premium: 7.2%
Tax Rate: 31.3%

Key Financial Data
Est 2014 EPS: 2.25
Est 2015 EPS: 2.60
3-5 Yr Est EPS Growth: 19.96%
PEG (TTM): 0.65
Credit Quality: N/A
ROE: 23.1%
ROA: 7.1%
Price/Book: 5.04
Price/Cash Flow: 10.5
Debt/Equity: 60.1%
Current Ratio: 1.5
Quick Ratio: 1.0

CSR Characteristics
Human Rights: 0/0
Business Ethics Policy: 1/1
ESG Disclosure: 19.01/13.97
Equal Opportunity: 0/1
Emission Reduction: 1/0
Environment Disclosure Score: 11.63/10.34

Prepared by Doug Bova (November 3, 2014)

PAREXEL is a leading biopharmaceutical services company, or contract research organization (CRO), providing a broad range of expertise in clinical research, medical communications, consulting, commercialization and other services to pharmaceutical, biotechnology and medical device firms worldwide. Through its clinical research, product launch and commercialization services, PAREXEL complements the research and development (R&D) and marketing functions of pharmaceutical, biotechnology and medical device firms. These firms outsource these functions to PAREXEL, which provides them with a variable cost alternative to the fixed costs associated with internal drug development. PAREXEL and other CROs believe their services can help expedite the drug development timeline, which often takes 10 or more years, in a highly cost effective manner. Global CROs have locations worldwide that enable them to design and manage parallel, multi-country clinical trials to accelerate time to market. PAREXEL is one of the largest global CROs, based on revenue. It had 77 locations in 51 countries as of December 31, 2013. During FY 14 (Jun.), 50.1% (50.0% in FY 13) of sales was derived in the U.S., 36.6% (36.0%) in Europe, Middle East and Asia, and 13.3% (14.0%) in Asia Pacific. Parexel operates through three business segments: Clinical Research Services (CRS), 75.0% (75.2%) of sales, Parexel Consulting (PC) 11.1% (11.7%), and Parexel Informatics (PI) 13.9% (13.1%).