

INC Research Holdings, Inc.
Form 10-Q
May 02, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2016

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____.

Commission File Number: 001-36730

INC RESEARCH HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware

27-3403111

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

3201 Beechleaf Court, Suite 600, Raleigh, North Carolina 27604-1547

(Address of principal executive offices and Zip Code)

(919) 876-9300

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of April 21, 2016, there were approximately 54,221,660 shares of the registrant's common stock outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

INC RESEARCH HOLDINGS, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 (Unaudited)

	Three Months Ended March 31,	
	2016	2015
	(In thousands, except per share data)	
Net service revenue	\$248,997	\$211,514
Reimbursable out-of-pocket expenses	164,090	97,403
Total revenue	413,087	308,917
Costs and operating expenses:		
Direct costs	152,058	125,448
Reimbursable out-of-pocket expenses	164,090	97,403
Selling, general and administrative	43,479	35,800
Restructuring and other costs	6,038	(418)
Transaction expenses	561	122
Asset impairment charges	—	3,931
Depreciation	4,892	4,766
Amortization	9,461	9,478
Total operating expenses	380,579	276,530
Income from operations	32,508	32,387
Other income (expense), net:		
Interest income	34	84
Interest expense	(3,004)	(5,389)
Other (expense) income, net	(5,117)	3,466
Total other expense, net	(8,087)	(1,839)
Income before provision for income taxes	24,421	30,548
Income tax expense	(7,016)	(5,292)
Net income	\$17,405	\$25,256
Earnings per share:		
Basic	\$0.32	\$0.41
Diluted	\$0.31	\$0.40
Weighted average common shares outstanding:		
Basic	53,955	61,244
Diluted	55,862	63,103

The accompanying notes are an integral part of these condensed consolidated financial statements.

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INC RESEARCH HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended March 31,	
	2016	2015
	(In thousands)	
Net income	\$ 17,405	\$ 25,256
Foreign currency translation adjustments, net of tax benefit (expense) of \$0	5,336	(9,218)
Comprehensive income	\$ 22,741	\$ 16,038

The accompanying notes are an integral part of these condensed consolidated financial statements.

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INC RESEARCH HOLDINGS, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (Unaudited)

	March 31, 2016	December 31, 2015
	(In thousands, except share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$53,181	\$ 85,011
Restricted cash	476	452
Accounts receivable:		
Billed, net	198,209	158,315
Unbilled	164,444	139,697
Prepaid expenses and other current assets	33,768	38,571
Total current assets	450,078	422,046
Property and equipment, net	45,525	44,813
Goodwill	553,218	553,008
Intangible assets, net	142,930	152,340
Deferred income taxes	12,083	12,073
Other long-term assets	24,508	26,939
Total assets	\$ 1,228,342	\$ 1,211,219
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$40,370	\$ 22,497
Accrued liabilities	144,957	111,262
Deferred revenue	281,776	311,029
Current portion of long-term debt	5,781	29,804
Total current liabilities	472,884	474,592
Long-term debt, less current portion	466,450	472,035
Deferred income taxes	14,943	