

INC Research Holdings, Inc.
Form 10-Q
July 27, 2017

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 June 30, 2017

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, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth 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

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 July 20, 2017, there were approximately 54,181,239 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		Six Months Ended	
	June 30,		June 30,	
	2017	2016	2017	2016
	(In thousands, except per share data)			
Net service revenue	\$258,087	\$258,804	\$510,165	\$507,801
Reimbursable out-of-pocket expenses	133,048	140,843	262,888	304,933
Total revenue	391,135	399,647	773,053	812,734
Costs and operating expenses:				
Direct costs (exclusive of depreciation and amortization)	162,010	159,497	316,845	311,555
Reimbursable out-of-pocket expenses	133,048	140,843	262,888	304,933
Selling, general, and administrative	42,531	42,596	87,465	86,075
Restructuring, CEO transition, and other costs	4,029	1,364	5,956	7,402
Transaction expenses	23,739	1,169	23,741	1,730
Depreciation	6,066	5,060	12,230	9,952
Amortization	9,462	9,463	18,926	18,924
Total operating expenses	380,885	359,992	728,051	740,571
Income from operations	10,250	39,655	45,002	72,163
Other (expense) income, net:				
Interest income	152	43	264	77
Interest expense	(3,286)	(3,087)	(6,386)	(6,091)
Other expense, net	(6,754)	(3,260)	(10,211)	(8,377)
Total other (expense) income, net	(9,888)	(6,304)	(16,333)	(14,391)
Income before provision for income taxes	362	33,351	28,669	57,772
Income tax benefit (expense)	3,027	(2,948)	(4,093)	(9,964)
Net income	\$3,389	\$30,403	\$24,576	\$47,808
Earnings per share:				
Basic	\$0.06	\$0.56	\$0.45	\$0.88
Diluted	\$0.06	\$0.54	\$0.45	\$0.85
Weighted average common shares outstanding:				
Basic	54,123	54,298	54,069	54,127
Diluted	55,307	56,078	55,215	55,970

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	Six
Months	Months
Ended	Ended
June 30,	June 30,
2017	