

INC Research Holdings, Inc.
Form 10-Q
July 30, 2015

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, 2015

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 Number)

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 definition 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 July 23, 2015, there were approximately 56,253,165 shares of the registrant's common stock outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
	(In thousands, except per share data)			
Net service revenue	\$227,376	\$203,540	\$438,890	\$388,240
Reimbursable out-of-pocket expenses	109,916	82,203	207,319	164,280
Total revenue	337,292	285,743	646,209	552,520
Costs and operating expenses:				
Direct costs	138,010	130,781	263,458	251,545
Reimbursable out-of-pocket expenses	109,916	82,203	207,319	164,280
Selling, general and administrative	37,125	33,962	72,925	66,147
Restructuring and other costs	2,012	2,417	1,594	3,175
Transaction expenses	397	—	519	2,042
Asset impairment charges	—	17,245	3,931	17,245
Depreciation	4,420	5,025	9,186	11,894
Amortization	9,473	6,238	18,951	13,740
Total operating expenses	301,353	277,871	577,883	530,068
Income from operations	35,939	7,872	68,326	22,452
Other income (expense), net:				
Interest income	45	18	129	200
Interest expense	(4,233)	(12,841)	(9,622)	(28,924)
Loss on extinguishment of debt	(9,795)	—	(9,795)	—
Other income (expense), net	1,675	(337)	5,141	1,041
Total other expense, net	(12,308)	(13,160)	(14,147)	(27,683)
Income (loss) before provision for income taxes	23,631	(5,288)	54,179	(5,231)
Income tax benefit (expense)	(310)	20,595	(5,602)	18,986
Net income	23,321	15,307	48,577	13,755
Class C common stock dividends	—	(125)	—	(250)
Net income attributable to common stockholders	\$23,321	\$15,182	\$48,577	\$13,505
Earnings per share attributable to common stockholders:				
Basic	\$0.40	\$0.29	\$0.81	\$0.26
Diluted	\$0.39	\$0.29	\$0.79	\$0.26
Weighted average common shares outstanding:				
Basic	58,231	51,898	59,731	51,897