
**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 September 30, 2018

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: 001-35907

IQVIA HOLDINGS INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

27-1341991
(I.R.S. Employer
Identification Number)

4820 Emperor Blvd., Durham, North Carolina 27703
and

83 Wooster Heights Road, Danbury, Connecticut 06810
(Address of principal executive offices and Zip Code)

(919) 998-2000 and (203) 448-4600
(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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the 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	☐	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 ☒

Indicate the number of shares outstanding of each of the issuer's classes of Common Stock, as of the latest practicable date.

Class
Common Stock \$0.01 par value

Number of Shares Outstanding
202,306,281 shares outstanding as of October 19, 2018

IQVIA HOLDINGS INC.
FORM 10-Q
TABLE OF CONTENTS

	<u>Page</u>
	3
	<u>3</u>
Item 1.	3
	3
	4
	5
	6
	7
Item 2.	25
Item 3.	37
Item 4.	37
	37
	37
	37
	38
	39
	40

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

IQVIA HOLDINGS INC. AND SUBSIDIARIES **CONDENSED CONSOLIDATED STATEMENTS OF INCOME** (unaudited)

(in millions, except per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Revenues	\$ 2,594	\$ 2,466	\$ 7,724	\$ 7,181
Costs of revenue, exclusive of depreciation and amortization	1,678	1,611	5,004	4,694
Selling, general and administrative expenses	429	394	1,273	1,153
Depreciation and amortization	283	256	847	733
Impairment charges	—	—	—	40
Restructuring costs	23	10	66	38
Income from operations	181	195	534	523
Interest income	(2)	(2)	(5)	(5)
Interest expense	105	93	308	249
Loss on extinguishment of debt	—	18	2	21
Other expense (income), net	27	—	5	(3)
Income before income taxes and equity in earnings of unconsolidated affiliates	51	86	224	261
Income tax (benefit) expense	(14)	(3)	29	7
Income before equity in earnings of unconsolidated affiliates	65	89	195	254
Equity in earnings of unconsolidated affiliates	2	4	13	7
Net income	67	93	208	261
Net income attributable to non-controlling interests	(7)	(5)	(18)	(11)
Net income attributable to IQVIA Holdings Inc.	<u>\$ 60</u>	<u>\$ 88</u>	<u>\$ 190</u>	<u>\$ 250</u>
Earnings per share attributable to common stockholders:				
Basic	\$ 0.30	\$ 0.41	\$ 0.93	\$ 1.13
Diluted	\$ 0.29	\$ 0.40	\$ 0.91	\$ 1.11
Weighted average common shares outstanding:				
Basic	202.3	214.3	205.2	220.7
Diluted	206.8	219.0	209.6	225.4

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

IQVIA HOLDINGS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net income	\$ 67	\$ 93	\$ 208	\$ 261
Comprehensive (loss) income adjustments:				
Unrealized gains on derivative instruments, net of income tax expense (benefit) of \$1, \$1, \$3 and (\$2)	4	2	8	1
Foreign currency translation, net of income tax expense (benefit) of \$12, (\$59), \$40 and (\$138)	(122)	156	(280)	495
Reclassification adjustments:				
Gains on derivative instruments included in net income, net of income tax benefit of (\$1), \$—, \$— and \$—	—	(2)	—	—
Comprehensive (loss) income	(51)	249	(64)	757
Comprehensive income attributable to non-controlling interests	(5)	(8)	(15)	(16)
Comprehensive (loss) income attributable to IQVIA Holdings Inc.	<u>\$ (56)</u>	<u>\$ 241</u>	<u>\$ (79)</u>	<u>\$ 741</u>

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

IQVIA HOLDINGS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited)

(in millions, except per share data)	September 30, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 827	\$ 959
Trade accounts receivable and unbilled services, net	2,298	2,097
Prepaid expenses	154	146
Income taxes receivable	66	47
Investments in debt, equity and other securities	52	46
Other current assets and receivables	299	259
Total current assets	3,696	3,554
Property and equipment, net	417	440
Investments in debt, equity and other securities	28	8
Investments in unconsolidated affiliates	106	70
Goodwill	11,794	11,850
Other identifiable intangibles, net	6,103	6,591
Deferred income taxes	96	109
Deposits and other assets	258	235
Total assets	\$ 22,498	\$ 22,857
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 2,162	\$ 1,986
Unearned income	984	985
Income taxes payable	117	72
Current portion of long-term debt	101	103
Other current liabilities	16	10
Total current liabilities	3,380	3,156
Long-term debt	10,518	10,122
Deferred income taxes	734	895
Other liabilities	406	440
Total liabilities	15,038	14,613
Commitments and contingencies		
Stockholders' equity:		
Common stock and additional paid-in capital, 400.0 shares authorized at September 30, 2018 and December 31, 2017, \$0.01 par value, 251.2 and 249.5 shares issued at September 30, 2018 and December 31, 2017, respectively	10,876	10,782
Retained earnings	726	538
Treasury stock, at cost, 48.9 and 41.4 shares at September 30, 2018 and December 31, 2017, respectively	(4,167)	(3,374)
Accumulated other comprehensive (loss) income	(220)	49
Equity attributable to IQVIA Holdings Inc.'s stockholders	7,215	7,995
Non-controlling interests	245	249
Total stockholders' equity	7,460	8,244
Total liabilities and stockholders' equity	\$ 22,498	\$ 22,857

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

IQVIA HOLDINGS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

(in millions)	Nine Months Ended September 30,	
	2018	2017
Operating activities:		
Net income	\$ 208	\$ 261
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	847	733
Amortization of debt issuance costs and discount	8	6
Amortization of accumulated other comprehensive loss on terminated interest rate swaps	—	3
Stock-based compensation	78	82
Impairment of goodwill and identifiable intangible assets	—	40
(Earnings) loss from unconsolidated affiliates	(13)	4
Gain on investments, net	(3)	—
Benefit from deferred income taxes	(183)	(137)
Changes in operating assets and liabilities:		
Change in accounts receivable, unbilled services and unearned income	(219)	(104)
Change in other operating assets and liabilities	114	(151)
Net cash provided by operating activities	837	737
Investing activities:		
Acquisition of property, equipment and software	(321)	(267)
Acquisition of businesses, net of cash acquired	(255)	(525)
Disposition of business, net of cash disposed	—	12
Purchase of marketable securities	(3)	—
Investments in unconsolidated affiliates, net of payments received	(24)	5
Investments in equity securities	(23)	—
Other	(6)	1
Net cash used in investing activities	(632)	(774)
Financing activities:		
Proceeds from issuance of debt	1,631	5,242
Payment of debt issuance costs	(23)	(53)
Repayment of debt and principal payments on capital lease obligations	(707)	(2,858)
Proceeds from revolving credit facility	1,800	1,222
Repayment of revolving credit facility	(2,169)	(1,497)
Proceeds related to employee stock option plans	18	86
Repurchase of common stock	(801)	(2,252)
Distributions to non-controlling interest, net	(19)	(3)
Contingent consideration and deferred purchase price payments	(24)	(4)
Net cash used in financing activities	(294)	(117)
Effect of foreign currency exchange rate changes on cash	(43)	59
Decrease in cash and cash equivalents	(132)	(95)
Cash and cash equivalents at beginning of period	959	1,198
Cash and cash equivalents at end of period	<u>\$ 827</u>	<u>\$ 1,103</u>

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

IQVIA HOLDINGS INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(unaudited)

1. Summary of Significant Accounting Policies

The Company

With more than 55,000 employees, IQVIA Holdings Inc. (together with its subsidiaries, the “Company” or “IQVIA”) conducts business in more than 100 countries. IQVIA is a leading global provider of advanced analytics, technology solutions and contract research services to the life sciences industry.

The Company renamed two of its reportable segments during the second quarter of 2018. The reportable segment formerly known as Commercial Solutions is now named Technology & Analytics Solutions and the reportable segment formerly known as Integrated Engagement Services is now named Contract Sales & Medical Solutions. This is a name change only and there are no changes to the composition of either segment.

Unaudited Interim Financial Information

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) for interim financial information. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair statement of the Company’s financial condition and results of operations have been included. Operating results for the periods presented are not necessarily indicative of the results that may be expected for the year ending December 31, 2018. As such, the information included in this Quarterly Report on Form 10-Q should be read in conjunction with the Company’s audited consolidated financial statements included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

Income Taxes

Income tax expense includes United States (“U.S”) federal, state and international income taxes. Certain items of income and expense are not reported in income tax returns and financial statements in the same year. The income tax effects of these differences are reported as deferred income taxes. Valuation allowances are provided to reduce the related deferred income tax assets to an amount which will, more likely than not, be realized. As a result of the Tax Cuts and Jobs Act (the “Tax Act”) enacted on December 22, 2017, the Company no longer considers the undistributed earnings of its foreign subsidiaries to be indefinitely reinvested and will record deferred income taxes on these earnings, as applicable. The Company has provisionally recorded its U.S. deferred taxes based on the Federal corporate income tax rate of 21%. The Company is continuing to analyze aspects of the Tax Act and, therefore, has not finalized its accounting policy with respect to whether to (1) recognize deferred taxes for basis differences expected to reverse as Global Low Taxed Intangible Income (“GILTI”) or (2) account for GILTI as period costs if and when incurred. The Company has not recognized any deferred tax impacts related to GILTI or the Base Erosion Anti Abuse Tax (“BEAT”) on a provisional basis. Interest and penalties related to unrecognized income tax benefits are recognized as a component of income tax expense.

Revenue Recognition

The Company’s arrangements are primarily service contracts that range in duration from a few months to several years. The Company recognizes revenue when control of these services is transferred to the customer for an amount, referred to as the transaction price, that reflects the consideration to which the Company is expected to be entitled in exchange for those goods or services. The Company determines revenue recognition utilizing the following five steps: (1) identification of the contract with a customer, (2) identification of the performance obligations in the contract (promised goods or services that are distinct), (3) determination of the transaction price, (4) allocation of the transaction price to the performance obligations, and (5) recognition of revenue when, or as, the Company transfers control of the product or service for each performance obligation. Cash payments made to customers as incentives to induce customers to enter into service agreements with the Company are amortized as a reduction of revenue over the period the services are performed. The Company records revenues net of any tax assessments by governmental authorities, such as value added taxes, that are imposed on and concurrent with specific revenue generating transactions.

The Company derives the majority of its revenues in the Technology & Analytics Solutions segment from various information and technology service offerings. Information offerings (primarily under fixed-price contracts) typically include multiple performance obligations including an ongoing subscription-based deliverable for which revenue is recognized ratably as earned over the contract period, and/or a one-time deliverable of data offerings for which revenue is recognized upon delivery. The customer is able to benefit from the provision of data as it is received. The Company's subscription arrangements typically have terms ranging from one to three years and are generally non-cancelable and do not contain refund-type provisions. Technology services offerings may contain multiple performance obligations consisting of a mix of small and large-scale services and consulting projects, multi-year outsourcing contracts and Software-as-a-Service ("SaaS") arrangements. These arrangements typically have terms ranging from several weeks to three years, with a majority having terms of one year or less. For arrangements that include multiple performance obligations, the transaction price is allocated to the identified performance obligations based on their relative standalone selling prices. For these contracts, the standalone selling prices are based on the Company's normal pricing practices when sold separately with consideration of market conditions and other factors, including customer demographics and geographic location. Revenues for services engagements where the transfer of control occurs ratably over time are recognized on a straight-line basis over the term of the arrangement. Revenues from time and material contracts are recognized based on hours as the services are provided. Revenues from fixed price ad hoc services and consulting contracts are recognized over the contract term based on the ratio of the number of hours incurred for services provided during the period compared to the total estimated hours to be incurred over the entire arrangement (hours-based). Technology services offerings meet the over time criterion, as another party would not need to substantially re-perform the work already completed to satisfy the remaining obligations if the services were migrated.

The majority of the Company's contracts within the Research & Development Solutions segment are service contracts for clinical research that represent a single performance obligation. The Company provides a significant integration service resulting in a combined output, which is clinical trial data that meets the relevant regulatory standards and can be used by the customer to progress to the next phase of a clinical trial or solicit approval of a treatment by the applicable regulatory body. The performance obligation is satisfied over time as the output is captured in data and documentation that is available for the customer to consume over the course of the arrangement and furthers progress of the clinical trial. The Company recognizes revenue over time using a cost-based input method since there is no single output measure that would fairly depict the transfer of control over the life of the performance obligation. Progress on the performance obligation is measured by the proportion of actual costs incurred to the total costs expected to complete the contract. Costs included in the measure of progress include direct labor and third-party costs (such as payments to investigators and travel expenses for the Company's clinical monitors). This cost-based method of revenue recognition requires the Company to make estimates of costs to complete its projects on an ongoing basis. Significant judgment is required to evaluate assumptions related to these estimates. The effect of revisions to estimates related to the transaction price or costs to complete a project are recorded in the period in which the estimate is revised. Most contracts may be terminated upon 30 to 90 days notice by the customer; however, in the event of termination, most contracts require payment for services rendered through the date of termination, as well as for subsequent services rendered to close out the contract.

The Company derives the majority of its revenues in its Contract Sales & Medical Solutions segment by providing contract sales and market access professionals to customers within the biopharmaceutical industry on a fee-for-service basis. Some of the Company's Contract Sales & Medical Solutions contracts contain multiple performance obligations with distinct promises including recruiting, sales force automation and deployment of sales representatives. The nature of the terms of these performance obligations will vary based on the customized needs of the customer. For contracts that have multiple performance obligations, the standalone selling prices of the Company's performance obligations are not directly observable since they are rarely sold standalone. Therefore, the Company estimates the standalone selling prices using an expected cost plus a margin approach under which expected costs of satisfying a performance obligation are forecasted and added to an appropriate margin for that distinct good or service. The Company utilizes a single measure of progress for each performance obligation to recognize revenue, which includes deployment of sales representatives based on employee days worked; recruiting based on candidates recruited; sales force automation set-up based on hours worked; and sales force automation hosting and maintenance based on usage. These services meet the over time criterion as the customer consumes the benefit as activities are performed and another party would not need to substantially re-perform the work already completed to satisfy the remaining obligations if the services were migrated to another party.

Variable Consideration

In some cases, contracts provide for variable consideration that is contingent upon the occurrence of uncertain future events, such as performance incentives (including royalty payments or penalty clauses that can either increase or decrease the transaction price). Variable consideration is estimated at the expected value or at the most likely amount depending on the type of consideration. Estimated amounts are included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. The estimate of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on an assessment of its anticipated performance and all information (historical, current and forecasted) that is reasonably available to the Company.

Reimbursed Expenses

The Company includes reimbursed expenses in revenues and costs of revenue as the Company is primarily responsible for fulfilling the promise to provide the specified service, including the integration of the related services into a combined output to the customer, which are inseparable from the integrated service. These costs include such items as payments to investigators and travel expenses for the Company's clinical monitors and sales representatives, over which the Company has discretion in establishing prices. The Company controls the good or service and has inventory risk on contractually reimbursable expenses, as sometimes the Company is unable to obtain reimbursement from the customer for costs incurred.

Change Orders

Changes in the scope of work are common, especially under long-term contracts, and generally result in a change in transaction price. Change orders are evaluated on a contract-by-contract basis to determine if they should be accounted for as a new contract or as part of the existing contract. Generally, services from change orders are not distinct from the original performance obligation. As a result, the effect that the contract modification has on the contract revenue, and measure of progress, is recognized as an adjustment to revenue when it occurs.

Costs of Revenue

Costs of revenue include (i) compensation and benefits for billable employees and personnel involved in production, data management and delivery, and the costs of acquiring and processing data for the Company's information offerings; (ii) costs of staff directly involved with delivering technology-related services offerings and engagements, and the costs of data purchased specifically for technology services engagements; (iii) reimbursed expenses that are comprised principally of payments to investigators who oversee clinical trials and travel expenses for the Company's clinical monitors and sales representatives; and (iv) other expenses directly related to service contracts such as courier fees, laboratory supplies, professional services and travel expenses.

Trade Receivables, Unbilled Services and Unearned Income

In general, billings and payments are established by contractual provisions including predetermined payment schedules, which may or may not correspond to the timing of the transfer of control of the Company's services under the contract. In general, the Company's intention in its invoicing (payment terms) is to maintain cash neutrality over the life of the contract. Upfront payments, when they occur, are intended to cover certain expenses the Company incurs at the beginning of the contract. Neither the Company nor its customers view such upfront payments and contracted payment schedules as a means of financing. Unbilled services primarily arise from long-term contracts when a cost-based or hours-based input method of revenue recognition is utilized and revenue recognized exceeds the amount billed to the customer.

Unearned income consists of advance payments and billings in excess of revenue recognized. As the contracted services are subsequently performed and the associated revenue is recognized, the unearned income balance is reduced by the amount of the revenue recognized during the period. Unearned income is classified as a current liability on the condensed consolidated balance sheet as the Company expects to recognize the associated revenue in less than one year.

Recently Issued Accounting Standards

Accounting pronouncements adopted

In March 2017, the FASB issued new accounting guidance that requires the service cost component of net periodic benefit cost be presented in the same income statement line item as other employee compensation costs and requires that the other components of net periodic benefit expense be recognized in the non-operating section of the income statement ("ASU 2017-07"). In addition, only the service cost component of net periodic benefit expense is eligible for capitalization when applicable. The Company adopted this new accounting guidance on January 1, 2018. The Company retrospectively adjusted the presentation of the other components of net periodic pension and postretirement benefit cost in the income statements. See "Adjustments to Previously Reported Financial Statements from the Adoption of Accounting Pronouncements" included elsewhere in Note 1 for further details regarding the effects of the adoption of ASU 2017-07.

In January 2017, the FASB issued new accounting guidance that changes the definition of a business to clarify when a set of assets does not constitute a business. Under the new definition, when substantially all of the fair value of gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the set of assets is generally not a business. The Company adopted this new accounting guidance on January 1, 2018. The adoption of this new accounting guidance did not have a material effect on the Company's consolidated financial statements.

In January 2016, the FASB issued new accounting guidance that modifies how entities measure equity investments and present changes in the fair value of financial liabilities (“ASU 2016-01”). The Company adopted this new accounting guidance on January 1, 2018. The adoption of this new accounting guidance did not have a material effect on the Company’s consolidated financial statements. See Note 4 for additional information regarding the adoption of ASU 2016-01, “Financial Instruments – Overall (Topic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities.”

In May 2014, the FASB and the International Accounting Standards Board issued a converged standard on the recognition of revenue from contracts with customers (“ASU 2014-09”). The objective of the new standard is to establish a single comprehensive revenue recognition model that is designed to create greater comparability of financial statements across industries and jurisdictions. Under the new standard, revenue is recognized to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The Company adopted ASU 2014-09 on January 1, 2018 using the full retrospective method. See “Revenue Recognition” and “Adjustments to Previously Reported Financial Statements from the Adoption of Accounting Pronouncements” included elsewhere in Note 1 for further discussion regarding the effects of the adoption of ASU 2014-09.

Adjustments to Previously Reported Financial Statements from the Adoption of Accounting Pronouncements

The following table presents the effect of the adoption of ASU 2014-09 on the Company’s condensed consolidated balance sheet as of December 31, 2017 (in millions):

	December 31, 2017	
	As Previously Reported	As Recast
Trade accounts receivable and unbilled services, net	\$ 1,993	\$ 2,097
Total current assets	3,450	3,554
Deferred income taxes	98	109
Total assets	22,742	22,857
Unearned income	733	985
Total current liabilities	2,904	3,156
Deferred income taxes	918	895
Total liabilities	14,384	14,613
Retained earnings	655	538
Accumulated other comprehensive income	46	49
Equity attributable to IQVIA Holdings Inc.’s stockholders	8,109	7,995
Total stockholders’ equity	8,358	8,244
Total liabilities and stockholders’ equity	22,742	22,857

The following table presents the effect of the adoption of ASU 2014-09 and ASU 2017-07 on the Company’s condensed consolidated statements of income for the three and nine months ended September 30, 2017 (in millions, except per share amounts):

	Three Months Ended September 30, 2017		Nine Months Ended September 30, 2017	
	As Previously Reported	As Recast	As Previously Reported	As Recast
Total revenues	\$ 2,465	\$ 2,466	\$ 7,162	\$ 7,181
Selling, general and administrative expenses	391	394	1,141	1,153
Income from operations	197	195	516	523
Other expense (income), net	3	—	9	(3)
Income before income taxes and equity in earnings of unconsolidated affiliates	85	86	242	261
Income tax (benefit) expense	—	(3)	5	7
Income before equity in earnings of unconsolidated affiliates	85	89	237	254
Net income	89	93	244	261
Net income attributable to IQVIA Holdings Inc.	84	88	233	250
Earnings per share attributable to common stockholders:				
Basic	\$ 0.39	\$ 0.41	\$ 1.06	\$ 1.13
Diluted	\$ 0.38	\$ 0.40	\$ 1.04	\$ 1.11

Adoption of the above standards had no impact to cash from or used in operating, financing, or investing activities on the Company’s condensed consolidated statement of cash flow for the nine months ended September 30, 2017.

Accounting pronouncements being evaluated

In August 2018, the FASB issued new accounting guidance that clarifies and aligns the accounting for implementation costs for hosting arrangements with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The new accounting guidance will be effective for the Company on January 1, 2020. Early adoption is permitted. The Company is currently evaluating the impact of this new accounting guidance on its consolidated financial statements.

In August 2018, the FASB issued new accounting guidance that modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. The new accounting guidance will be effective for the Company on January 1, 2021. Early adoption is permitted. The Company is currently evaluating the impact of this new accounting guidance on its consolidated financial statements.

In August 2018, the FASB issued new accounting guidance that modifies the disclosure requirements in Topic 820, Fair Value Measurement, by removing certain disclosure requirements related to the fair value hierarchy, modifying existing disclosure requirements related to measurement uncertainty and adding new disclosure requirements, such as disclosing the changes in unrealized gains and losses for the period included in other comprehensive income for recurring Level 3 fair value measurements held at the end of the reporting period and disclosing the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. The new accounting guidance will be effective for the Company on January 1, 2020. Early adoption is permitted. The Company is currently evaluating the impact of this new accounting guidance on its consolidated financial statements.

In June 2018, the FASB issued new accounting guidance that largely aligns the accounting for share-based payment awards issued to employees and nonemployees. Under the new guidance, the existing employee guidance will apply to nonemployee share-based transactions (as long as the transaction is not effectively a form of financing), with the exception of specific guidance related to the attribution of compensation cost. The cost of nonemployee awards will continue to be recorded as if the grantor had paid cash for the goods or services. The new accounting guidance will be effective for the Company on January 1, 2019. Early adoption is permitted. The adoption of this new accounting guidance is not expected to have a material effect on the Company's consolidated financial statements.

In February 2018, the FASB issued new accounting guidance that will allow a reclassification from accumulated other comprehensive income to retained earnings for "stranded income tax effects" resulting from the Tax Act. Because the income statement impact related to the reduction of the historical corporate income tax rate under the Tax Act is required to be included in income tax expense, the guidance acknowledges that the income tax effects of items within accumulated other comprehensive income ("stranded income tax effects") do not reflect the appropriate income tax rate. The new accounting guidance will be effective for the Company on January 1, 2019. Early adoption is permitted. The Company is currently evaluating the impact of this new accounting guidance on its consolidated financial statements; however, it expects the determination to be complete when the 2017 U.S. corporate income tax return is filed in the fourth quarter of 2018.

In August 2017, the FASB issued new accounting guidance that will allow more financial and nonfinancial hedging strategies to be eligible for hedge accounting. It also amends the presentation and disclosure requirements and changes how companies assess hedge effectiveness. It is intended to more closely align hedge accounting with risk management strategies, simplify the application of hedge accounting, and increase transparency as to the scope and results of hedging programs. The new accounting guidance will be effective for the Company on January 1, 2019. The adoption of this new accounting guidance is not expected to have a material effect on the Company's consolidated financial statements.

In February 2016, the FASB issued new accounting guidance that requires lessees to recognize almost all leases on their balance sheet as a right-of-use asset and a lease liability. The income statement will reflect lease expense for operating leases, and amortization and interest expense for financing leases. The Company plans to adopt the new standard on its effective date of January 1, 2019. The Company plans to elect the practical expedients upon transition that will retain the lease classification and initial direct costs for any leases that exist prior to adoption of the new guidance. The Company also plans to elect the transition method that allows comparative periods to be presented in the year of adoption in accordance with existing guidance. The evaluation and adoption processes are ongoing and expected to continue through 2018 as the Company completes an analysis of its lease portfolio, business processes, systems and controls required to support recognition and disclosure under the new guidance. The effect of the adoption of the new standard on the consolidated financial statements will ultimately depend on the lease portfolio at the time of transition. It is anticipated that the adoption of the new standard will have a material impact on the Company's consolidated financial position, but the Company is not able to quantify the difference at this time. The Company does not believe adoption of this standard will have a material impact on its consolidated results of operations or cash flows.

2. Revenues by Geography, Concentration of Credit Risk and Remaining Performance Obligations

The following tables represent revenues by geographic region and reportable segment for the three and nine months ended September 30, 2018 and 2017:

(in millions)	Three Months Ended September 30, 2018			
	Technology & Analytics Solutions	Research & Development Solutions	Contract Sales & Medical Solutions	Total
Revenues:				
Americas	\$ 527	\$ 670	\$ 87	\$ 1,284
Europe and Africa	359	418	56	833
Asia-Pacific	128	294	55	477
Total revenues	<u>\$ 1,014</u>	<u>\$ 1,382</u>	<u>\$ 198</u>	<u>\$ 2,594</u>

(in millions)	Three Months Ended September 30, 2017			
	Technology & Analytics Solutions	Research & Development Solutions	Contract Sales & Medical Solutions	Total
Revenues:				
Americas	\$ 428	\$ 629	\$ 104	\$ 1,161
Europe and Africa	343	434	64	841
Asia-Pacific	127	278	59	464
Total revenues	<u>\$ 898</u>	<u>\$ 1,341</u>	<u>\$ 227</u>	<u>\$ 2,466</u>

(in millions)	Nine Months Ended September 30, 2018			
	Technology & Analytics Solutions	Research & Development Solutions	Contract Sales & Medical Solutions	Total
Revenues:				
Americas	\$ 1,506	\$ 1,909	\$ 272	\$ 3,687
Europe and Africa	1,111	1,279	180	2,570
Asia-Pacific	393	909	165	1,467
Total revenues	<u>\$ 3,010</u>	<u>\$ 4,097</u>	<u>\$ 617</u>	<u>\$ 7,724</u>

(in millions)	Nine Months Ended September 30, 2017			
	Technology & Analytics Solutions	Research & Development Solutions	Contract Sales & Medical Solutions	Total
Revenues:				
Americas	\$ 1,278	\$ 1,796	\$ 332	\$ 3,406
Europe and Africa	991	1,245	188	2,424
Asia-Pacific	377	795	179	1,351
Total revenues	<u>\$ 2,646</u>	<u>\$ 3,836</u>	<u>\$ 699</u>	<u>\$ 7,181</u>

No customer accounted for 10% or more of consolidated revenues for the three and nine months ended September 30, 2018 or 2017.

Transaction Price Allocated to the Remaining Performance Obligations

As of September 30, 2018, approximately \$18.3 billion of revenue is expected to be recognized in the future from remaining performance obligations. The Company expects to recognize revenue on approximately 35% of these remaining performance obligations over the next 12 months, with the balance recognized thereafter. The customer contract transaction price allocated to the remaining performance obligations differs from backlog in that it does not include wholly unperformed contracts under which the customer has a unilateral right to cancel the arrangement. The Company applied the practical expedient that permits the omission of prior period information about its remaining performance obligations. No other practical expedients were applied.

3. Trade Accounts Receivable, Unbilled Services and Unearned Income

Trade accounts receivables and unbilled services consist of the following:

(in millions)	September 30, 2018	December 31, 2017
Trade accounts receivable:		
Billed	\$ 1,089	\$ 1,229
Unbilled services	1,221	883
Trade accounts receivable and unbilled services	2,310	2,112
Allowance for doubtful accounts	(12)	(15)
Trade accounts receivable and unbilled services, net	<u>\$ 2,298</u>	<u>\$ 2,097</u>

Unbilled services and unearned income was as follows:

(in millions, except percentages)	September 30, 2018	December 31, 2017	Change
Unbilled services	\$ 1,221	\$ 883	\$ 338
Unearned income	(984)	(985)	1
Net balance	<u>\$ 237</u>	<u>\$ (102)</u>	<u>\$ 339</u>

Unbilled services, which is comprised of approximately equal parts of unbilled receivables and contract assets as of September 30, 2018, increased by \$338 million as compared to December 31, 2017. Contract assets are unbilled services for which invoicing is based on the timing of certain milestones related to service contracts for clinical research whereas unbilled receivables are billable upon the passage of time. Unearned income decreased by \$1 million over the same period resulting in an increase of \$339 million in the net balance of unbilled services and unearned income between December 31, 2017 and September 30, 2018. These fluctuations are primarily due to timing of payments and invoicing related to the Company's Research & Development Solutions contracts.

Bad debt expense recognized on the Company's receivables and unbilled services was de minimis for the three and nine months ended September 30, 2018 and 2017.

4. Investments

Debt, Equity and Other Securities

Current

The Company's short-term investments in debt, equity and other securities consist primarily of trading investments in mutual funds and are measured at fair value with realized and unrealized gains and losses recorded in other income, net on the accompanying condensed consolidated statements of income.

Long-term

ASU 2016-01 became effective on January 1, 2018. ASU 2016-01 requires entities to measure equity investments (except those accounted for under the equity method, those that result in consolidation of the investee and certain other investments) at fair value and recognize any changes in fair value in net income at the end of each reporting period. Entities can no longer classify equity investments as trading or available for sale and can no longer recognize unrealized holding gains and losses on equity securities classified previously as available for sale in other comprehensive income (loss). Entities can no longer use the cost method of accounting as it was previously applied for equity securities that do not have readily determinable fair values.

For equity investments that do not have readily determinable fair values and do not qualify for the existing practical expedient in Accounting Standards Codification ("ASC") 820 "Fair Value Measurement" ("ASC 820") to estimate fair value using the net asset value per share of the investment, the guidance provides a new measurement alternative. Entities may choose to measure those investments at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer at each reporting period.

The Company adopted ASU 2016-01 on January 1, 2018, however its long-term investments in debt, equity and other securities were only \$8 million as of December 31, 2017. As a result, the adoption of the new guidance did not have a material impact as it relates to the Company's previously reported investments.

In February 2018, the Company made an investment in COTA, Inc. (“COTA”) for a minority ownership interest. The Company’s investment in COTA does not meet the criteria to be accounted for under the equity method or to be consolidated and as a result is subject to ASU 2016-01 noted above. The Company’s investment in COTA does not have a readily determinable fair value and does not qualify for the existing practical expedient in ASC 820. The Company has elected to utilize the new measurement alternative provided for in ASC 321 “Investments – Equity Securities.” The Company’s minority interest in COTA was \$20 million as of September 30, 2018.

Unconsolidated Affiliates

In August 2018, the Company made a \$20 million minority interest investment in a third party that specializes in healthcare technology. The Company’s investment meets the criteria to be accounted for under the equity method. As such, the Company records its pro rata share of losses or earnings from this investment in equity in earnings of unconsolidated affiliates on the accompanying condensed consolidated statements of income.

5. Variable Interest Entities

As of September 30, 2018, the Company’s investments in unconsolidated variable interest entities (“VIEs”) and its estimated maximum exposure to loss were as follows:

(in millions)	Investments in Unconsolidated VIEs	Maximum Exposure to Loss
NovaQuest Pharma Opportunities Fund III, L.P. (“NovaQuest Fund III”)	\$ 30	\$ 37
NovaQuest Pharma Opportunities Fund IV, L.P. (“NovaQuest Fund IV”)	10	16
NovaQuest Pharma Opportunities Fund V, L.P. (“NovaQuest Fund V”)	11	45
NovaQuest Private Equity Fund I, L.P. (“NovaQuest PE Fund I”)	4	5
Pappas Life Science Ventures V, L.P. (“Pappas Fund V”)	1	5
	<u>\$ 56</u>	<u>\$ 108</u>

In April 2018, the Company committed to invest up to \$45 million and \$5 million as a limited partner in NovaQuest Fund V and NovaQuest PE Fund I, respectively. The Company expects these investments to be funded over the next several years.

The Company has determined that these funds are VIEs but that the Company is not the primary beneficiary as it does not have a controlling financial interest in these funds. However, because the Company has the ability to exercise significant influence, it accounts for its investments in these funds under the equity method of accounting and records its pro rata share of earnings and losses in equity in earnings of unconsolidated affiliates on the accompanying condensed consolidated statements of income. The investment assets of unconsolidated VIEs are included in investments in and advances to unconsolidated affiliates on the accompanying condensed consolidated balance sheets.

6. Goodwill

The following is a summary of goodwill by reportable segment for the nine months ended September 30, 2018:

(in millions)	Technology & Analytics Solutions	Research & Development Solutions	Contract Sales & Medical Solutions	Consolidated
Balance as of December 31, 2017	\$ 10,348	\$ 1,385	\$ 117	\$ 11,850
Business combinations	128	12	18	158
Impact of foreign currency fluctuations and other	(208)	(5)	(1)	(214)
Balance as of September 30, 2018	<u>\$ 10,268</u>	<u>\$ 1,392</u>	<u>\$ 134</u>	<u>\$ 11,794</u>

7. Derivatives

Foreign Exchange Risk Management

As of September 30, 2018, the Company held foreign currency forward contracts to (i) hedge certain forecasted foreign exchange cash flows arising from service contracts (“Service Contract Hedging”) and (ii) hedge non-United States dollar anticipated intercompany royalties (“Royalty Hedging”). It is the Company’s policy to enter into foreign currency transactions only to the extent necessary to reduce earnings and cash flow volatility associated with foreign exchange rate movements. The Company does not enter into foreign currency transactions for investment or speculative purposes.

As of September 30, 2018, the Company had open Service Contract Hedging and Royalty Hedging contracts to hedge certain forecasted foreign currency cash flow transactions occurring in 2018 with notional amounts totaling \$249 million. For accounting purposes these hedges are considered highly effective. As of September 30, 2018 and December 31, 2017, the Company had recorded gross unrealized gains (losses) of \$7 million and (\$4) million and \$5 million and (\$4) million, respectively, related to these contracts. Upon expiration of the hedge instruments during 2018 and 2019, the Company will reclassify the unrealized holding gains and losses on the derivative instruments included in accumulated other comprehensive income (loss) ("AOCI") into earnings. The unrealized gains (losses) are included in other current assets and liabilities on the accompanying condensed consolidated balance sheets as of September 30, 2018 and December 31, 2017.

Interest Rate Risk Management

The Company purchases interest rate caps and has entered into interest rate swap agreements for purposes of managing its exposure to interest rate fluctuations.

In April 2014, IMS Health Holdings, Inc. ("IMS Health"), one of the predecessors to the Company prior to the merger of Quintiles Transnational Holdings Inc. ("Quintiles") and IMS Health, purchased three United States dollar denominated interest rate caps ("2014 Caps") with a total notional value of \$1 billion at strike prices between 2% and 3%. These caps were effective at various times between April 2014 and April 2016 and expire in April 2019. The 2014 Caps are accounted for as cash flow hedges. As of September 30, 2018, only two of the 2014 Caps remain unexpired, with a notional value of \$700 million. IMS Health also entered into three United States dollar and Euro denominated interest rate swap agreements in April 2014 ("2014 Swaps") to hedge interest rate exposure on notional amounts of approximately \$600 million of its borrowings. The 2014 Swaps were effective between April and June 2014 and expire at various times through March 2021. As of September 30, 2018, only two of the 2014 Swaps remain unexpired, with a notional value of \$437 million. On these agreements, the Company pays a fixed rate ranging from 1.6% to 2.1% and receives a variable rate of interest equal to the greater of three-month United States dollar London Interbank Offered Rate ("LIBOR") or three-month Euro Interbank Offered Rate ("EURIBOR"), and 1%. During 2017, the 2014 Swaps ceased to be considered highly effective for accounting purposes and as such, the Company discontinued hedge accounting and prospective changes in the fair value of the Swaps are recognized in earnings.

On June 3, 2015, the Company entered into seven forward starting interest rate swaps ("2015 Swaps") in an effort to limit its exposure to changes in the variable interest rate on its senior secured credit facilities. Interest on the swaps began accruing on June 30, 2016, and the interest rate swaps expire at various times through March 2020. As of September 30, 2018, only four of the 2015 Swaps were still outstanding. The Company pays a fixed rate ranging from 1.9% to 2.1% and receives a variable rate of interest equal to the three-month LIBOR on the outstanding agreements. The critical terms of the 2015 Swaps are substantially the same as the underlying borrowings. These interest rate swaps are being accounted for as cash flow hedges as these transactions were executed to hedge the Company's interest payments and for accounting purposes are considered highly effective. As such, the effective portion of the hedges is recorded as unrealized gains (losses) on derivatives included in AOCI and the ineffective portion of the hedges is recognized in earnings.

On July 19, 2018, the Company entered into two forward starting interest rate swaps ("2018 Swaps") with a total notional value of \$500 million in an effort to limit its exposure to changes in the variable interest rate on its senior secured credit facilities. Interest on the 2018 Swaps begins accruing on June 28, 2019 and the interest rate swaps expire on June 28, 2024. The Company pays a fixed rate of 3.0% and receives a variable rate of interest equal to the three-month LIBOR on the 2018 Swaps.

The fair value of these interest rate swaps represents the present value of the anticipated net payments the Company will make to the counterparty, which, when they occur, are reflected as interest expense on the consolidated statements of income. These interest rate swaps will result in a total debt mix of approximately 52% fixed rate debt and 48% variable rate debt, before the additional protection arising from the interest rate caps.

Net Investment Risk Management

The Company designates its foreign currency denominated debt as a hedge of its net investment in certain foreign subsidiaries to reduce the volatility in stockholders' equity caused by changes in the Euro exchange rate with respect to the United States dollar. As of September 30, 2018, these borrowings (net of original issue discount) were €4,599 million (\$5,338 million). The effective portion of foreign exchange gains or losses on the remeasurement of the debt is recognized in the cumulative translation adjustment component of AOCI with the related offset in long-term debt. Those amounts will be reclassified from AOCI to earnings upon the sale or substantial liquidation of these net investments. The amount of foreign exchange gains related to the net investment hedge included in the cumulative translation adjustment component of AOCI for the nine months ended September 30, 2018 was \$154 million.

The fair values of the Company's derivative instruments and the line items on the accompanying condensed consolidated balance sheets to which they were recorded are summarized in the following table:

		September 30, 2018			December 31, 2017		
(in millions)	Balance Sheet Classification	Assets	Liabilities	Notional	Assets	Liabilities	Notional
Derivatives designated as hedging instruments:							
Foreign exchange forward contracts	Other current assets and liabilities	\$ 7	\$ 4	\$ 249	\$ 5	\$ 4	\$ 282
Interest rate swaps	Other assets and liabilities	7	—	890	—	1	405
Interest rate caps	Deposits and other assets	2	—	700	1	—	700
Derivatives not designated as hedging instruments:							
Interest rate swaps	Other liabilities	—	6	437	—	8	447
Total derivatives		\$ 16	\$ 10		\$ 6	\$ 13	

The effect of the Company's cash flow hedging instruments on other comprehensive (loss) income is summarized in the following table:

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Foreign exchange forward contracts	\$ 1	\$ (2)	\$ 2	\$ (7)
Interest rate derivatives	3	3	9	5
Total	<u>\$ 4</u>	<u>\$ 1</u>	<u>\$ 11</u>	<u>\$ (2)</u>

8. Fair Value Measurements

The Company records certain assets and liabilities at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. A three-level fair value hierarchy that prioritizes the inputs used to measure fair value is described below. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1 — Quoted prices in active markets for identical assets or liabilities.
- Level 2 — Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 — Unobservable inputs that are supported by little or no market activity. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The carrying values of cash, cash equivalents, accounts receivable and accounts payable approximated their fair values at September 30, 2018 and December 31, 2017 due to their short-term nature. At September 30, 2018 and December 31, 2017, the fair value of total debt approximated \$10,701 million and \$10,432 million, respectively, as determined under Level 1 and Level 2 measurements for these financial instruments.

Recurring Fair Value Measurements

The following table summarizes the fair value of the Company's financial assets and liabilities that are measured and reported at fair value on a recurring basis as of September 30, 2018:

(in millions)	Level 1	Level 2	Level 3	Total
Assets:				
Trading securities	\$ 52	\$ —	\$ —	\$ 52
Derivatives	—	16	—	16
Total	<u>\$ 52</u>	<u>\$ 16</u>	<u>\$ —</u>	<u>\$ 68</u>
Liabilities:				
Derivatives	\$ —	\$ 10	\$ —	\$ 10
Contingent consideration	—	—	102	102
Total	<u>\$ —</u>	<u>\$ 10</u>	<u>\$ 102</u>	<u>\$ 112</u>

Below is a summary of the valuation techniques used in determining fair value:

Trading securities — The Company values trading securities using the quoted market value of the securities held.

Derivatives — Derivatives consist of foreign exchange contracts and interest rate caps and swaps. The fair value of foreign exchange contracts is based on observable market inputs of spot and forward rates or using other observable inputs. The fair value of the interest rate caps and swaps is the estimated amount that the Company would receive or pay to terminate such agreements, taking into account market interest rates and the remaining time to maturities or using market inputs with mid-market pricing as a practical expedient for bid-ask spread.

Contingent consideration — The Company values contingent consideration related to business combinations using a weighted probability calculation of potential payment scenarios discounted at rates reflective of the risks associated with the expected future cash flows. Key assumptions used to estimate the fair value of contingent consideration include various financial metrics (revenue performance targets and operating forecasts) and the probability of achieving the specific targets.

The following table summarizes the changes in Level 3 financial assets and liabilities measured on a recurring basis for the nine months ended September 30:

(in millions)	Contingent Consideration – Accounts Payable and Accrued Expenses	
	2018	2017
Balance as of January 1	\$ 69	\$ 18
Business combinations	22	52
Contingent consideration paid	(24)	(4)
Revaluations included in earnings and foreign currency translation adjustments	35	(3)
Balance as of September 30	<u>\$ 102</u>	<u>\$ 63</u>

Revaluations of the contingent consideration are recognized in other (expense) income, net on the accompanying condensed consolidated statements of income.

9. Credit Arrangements

The following is a summary of the Company's revolving credit facilities at September 30, 2018:

Facility	Interest Rates
\$1,500 million (revolving credit facility)	LIBOR in the relevant currency borrowed plus a margin of 1.50% at September 30, 2018
\$25 million (receivables financing facility)	LIBOR Market Index Rate (2.26% at September 30, 2018) plus 0.90%
£10 million (approximately \$13 million) general banking facility	Bank's base rate of 0.75% at September 30, 2018 plus 1%

The following table summarizes the Company's debt at the dates indicated:

(in millions)	September 30, 2018	December 31, 2017
Senior Secured Credit Facilities:		
Term A Loan due 2023—U.S. Dollar LIBOR at average floating rates of 3.89%	\$ 822	\$ 844
Term A Loan due 2023—Euro LIBOR at average floating rates of 1.50%	428	453
Term B Loan due 2024—U.S. Dollar LIBOR at average floating rates of 4.39%	535	1,188
Term B Loan due 2024—Euro LIBOR at average floating rates of 2.75%	1,369	1,423
Term B Loan due 2025—U.S. Dollar LIBOR at average floating rates of 4.39%	743	748
Term B Loan due 2025—U.S. Dollar LIBOR at average floating rates of 4.14%	948	—
Term B Loan due 2025—Euro LIBOR at average floating rates of 2.50%	675	—
Revolving Credit Facility due 2023:		
U.S. Dollar denominated borrowings—U.S. Dollar LIBOR at average floating rates of 3.73%	160	529
5.0% Senior Notes due 2026—U.S. Dollar denominated	1,050	1,050
2.875% Senior Notes due 2025—Euro denominated	487	503
3.25% Senior Notes due 2025—Euro denominated	1,654	1,707
3.5% Senior Notes due 2024—Euro denominated	725	749
4.875% Senior Notes due 2023—U.S. Dollar denominated	800	800
Receivables financing facility due 2020—U.S. Dollar LIBOR at average floating rates of 3.16%	275	275
Principal amount of debt	10,671	10,269
Less: unamortized discount and debt issuance costs	(52)	(44)
Less: current portion	(101)	(103)
Long-term debt	<u>\$ 10,518</u>	<u>\$ 10,122</u>

Contractual maturities of long-term debt are as follows at September 30, 2018:

(in millions)	
Remainder of 2018	\$ 25
2019	101
2020	376
2021	101
2022	101
Thereafter	9,967
	<u>\$ 10,671</u>

At September 30, 2018, there were bank guarantees totaling approximately £1.6 million (approximately \$2.0 million) issued against the availability of the general banking facility.

Senior Secured Facilities

On April 6, 2018, the Company entered into Amendment No. 3 to its Fourth Amended and Restated Credit Agreement that increased the amount of commitments available to the Company and certain of its subsidiaries to \$1,500 million under the revolving credit facility. No other terms of the credit agreement were amended.

On June 11, 2018, the Company entered into Amendment No. 4 (the "Amendment") to its Fourth Amended and Restated Credit Agreement that amended the terms of the existing term A loans and revolving credit facility to extend the maturity from 2021 to 2023 and reduce the applicable interest rate from LIBOR plus a margin ranging from 1.75% to 2.50% to LIBOR plus a margin ranging from 1.25% to 2.00%. In connection with the Amendment, the Company recognized a \$2 million loss on extinguishment of debt, which includes fees and related expenses. The amendments with respect to the revolving credit facility and the term A loans became effective on June 13, 2018.

Under the Amendment, the Company also placed additional term B loans. The additional term B loans will mature in 2025 and were comprised of \$950 million of U.S. dollar denominated term B loans and €583 million (\$681 million) Euro denominated term B loans. The U.S. dollar denominated term B loans bear interest based on the U.S. Dollar LIBOR plus a margin ranging from 1.75% to 2.00%. The Euro denominated term B loans bear interest based on the Euro LIBOR with a floor ranging from 0.50% to 0.75%, plus a margin of 2.00%. The proceeds of the additional term B loans were used to pay down the revolving credit facility and \$650 million of existing term B loans due 2024 and to pay fees and expenses in connection with the transactions.

At September 30, 2018, the Company's senior credit facility provided financing of approximately \$7,020 million, which consisted of \$5,680 million principal amounts of debt outstanding (as detailed in the table above) and \$1,340 million of available borrowing capacity on the \$1,500 million revolving credit facility.

Restrictive Covenants

The Company's debt agreements provide for certain covenants and events of default customary for similar instruments, including a covenant not to exceed a specified ratio of consolidated senior secured net indebtedness to consolidated EBITDA, as defined in the senior credit facility agreement and a covenant to maintain a specified minimum interest coverage ratio. If an event of default occurs under any of the Company's or the Company's subsidiaries' financing arrangements, the creditors under such financing arrangements will be entitled to take various actions, including the acceleration of amounts due under such arrangements, and in the case of the lenders under the revolving credit facility and term loans, other actions permitted to be taken by a secured creditor. The Company's long-term debt arrangements contain other usual and customary restrictive covenants that, among other things, place limitations on the Company's ability to declare dividends. At September 30, 2018, the Company was in compliance with the financial covenants under its debt agreements in all material respects.

10. Stockholders' Equity

Preferred Stock

The Company is authorized to issue 1.0 million shares of preferred stock, \$0.01 per share par value. No shares of preferred stock were issued or outstanding as of September 30, 2018 or December 31, 2017.

Equity Repurchase Program and Secondary Public Offering

On February 14, 2018, the Company's Board of Directors increased the stock repurchase authorization under a previously approved equity repurchase program (the "Repurchase Program") by \$1.5 billion, which increased the total amount that has been authorized under the Repurchase Program to \$5.725 billion since the plan's inception in October 2013. The Repurchase Program does not obligate the Company to repurchase any particular amount of common stock, and it may be modified, extended, suspended or discontinued at any time.

During the nine months ended September 30, 2018, the Company repurchased 7,522,304 shares of its common stock for approximately \$792 million under the Repurchase Program. These amounts include shares of the Company's common stock that it repurchased directly from underwriters in connection with the underwritten secondary public offering described below. As of September 30, 2018, the Company has remaining authorization to repurchase up to \$889 million of its common stock under the Repurchase Program. In addition, from time to time, the Company has repurchased and may continue to repurchase common stock through private or other transactions outside of the Repurchase Program.

In June 2018, the Company completed an underwritten secondary public offering of 12,000,000 shares of its common stock held by certain of the Company's principal stockholders (the "Selling Stockholders"), of which the Company repurchased 4,000,000 shares for an aggregate purchase price of approximately \$412 million. The Company did not offer any stock in this transaction and did not receive any proceeds from the sale of the shares by the Selling Stockholders. Pursuant to an agreement with the underwriter, the Company's per-share purchase price for repurchased shares was the same as the per-share purchase price payable by the underwriter to the Selling Stockholders.

Non-controlling Interests

In July 2015, the Company contributed businesses to a joint venture with Quest Diagnostics Incorporated (“Quest”) that was recorded at book value (carryover basis) because the Company owns 60% of the joint venture and maintains control of these businesses. Quest’s 40% non-controlling interest in the joint venture, referred to as Q² Solutions, was \$245 million at September 30, 2018. During the nine months ended September 30, 2018 Q² Solutions distributed dividends of \$29 million to Quest and received a \$10 million contribution from Quest to fund ongoing operational and strategic activities.

	2018	2017
Balance as of January 1	\$ 249	\$ 227
Distribution to non-controlling interest	(29)	—
Investment by non-controlling interest	10	—
Comprehensive income:		
Net income	18	11
Foreign currency adjustments, net of income tax	(3)	5
Balance as of September 30	<u>\$ 245</u>	<u>\$ 243</u>

11. Business Combinations

The Company completed several immaterial acquisitions during the nine months ended September 30, 2018. The Company’s assessment of fair value and the purchase price allocation related to these acquisitions is preliminary and subject to change upon completion. Further adjustments may be necessary as additional information related to the fair values of assets acquired and liabilities assumed is assessed during the measurement period (up to one year from the acquisition date). The condensed consolidated financial statements include the results of the acquisitions subsequent to their respective closing dates. Pro forma information is not presented for these acquisitions as the aggregate operations of the acquired businesses were not significant to the overall operations of the Company.

The following table provides certain financial information for these acquisitions, including the preliminary allocation of the purchase price to certain intangible assets acquired and goodwill:

(in millions)	Amortization Period	2018
Total cost of acquisitions, net of cash acquired ⁽¹⁾		\$ 286
Amounts recorded in the condensed consolidated balance sheets:		
Goodwill		158
Portion of goodwill deductible for income tax purposes		15
Intangible assets:		
Customer relationships	8-14 years	102
Non-compete agreements	3-5 years	4
Software	1-6 years	43
Trade names	2-10 years	5
Total intangible assets		<u>\$ 154</u>

(1) Total cost of acquisitions, net of cash acquired, includes contingent consideration and deferred purchase payments of \$31 million.

12. Restructuring

The Company has taken restructuring actions in 2018, 2017 and 2016 to align its resources and reduce overcapacity to adapt to changing market conditions and integrate acquisitions. These actions include closing facilities, consolidating functional activities, eliminating redundant positions, and aligning resources with customer requirements. These restructuring actions are expected to continue into 2019.

The following amounts were recorded for the restructuring plans:

(in millions)	Severance and Related Costs	Facility Exit Costs	Total
Balance at December 31, 2017	\$ 80	\$ 4	\$ 84
Expense, net of reversals	48	18	66
Payments	(59)	(5)	(64)
Foreign currency translation and other	(1)	—	(1)
Balance at September 30, 2018	<u>\$ 68</u>	<u>\$ 17</u>	<u>\$ 85</u>

Restructuring costs are not allocated to the Company's reportable segments as they are not part of the segment performance measures regularly reviewed by management. The Company expects that the majority of the restructuring accruals at September 30, 2018 will be paid in 2018 and 2019.

13. Income Taxes

On December 22, 2017, the U.S. government enacted the Tax Act. The Tax Act is comprehensive legislation that includes provisions that lower the federal corporate income tax rate from 35% to 21% beginning in 2018 and impose a one-time transition tax on undistributed foreign earnings. ASC 740 "Income Taxes" generally requires the effects of the tax law change to be recorded in the period of enactment. However, the SEC staff issued Staff Accounting Bulletin No. 118 ("SAB 118") to address situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Tax Act. SAB 118 allows companies to record provisional amounts during a measurement period not to extend beyond one year of the enactment date to address ongoing guidance and tax interpretations. Subsequent changes to provisional amounts are reported in income tax expense in the period in which they are determined. The Company recognized the tax impacts related to the transition tax on undistributed foreign earnings and the impact to deferred tax assets and liabilities and included these provisional amounts based on reasonable estimates in its consolidated financial statements for the year ended December 31, 2017. After further analysis of regulatory guidance and available elections, in the third quarter of 2018, the Company decided to utilize net operating losses against the 2017 transition tax and preserve foreign tax credits for future use. Accordingly, the Company recorded a \$27 million provisional benefit related to the transition tax. This benefit reduced the effective tax rate by 52.9 and 12.1 percentage points for the three and nine months ended September 30, 2018, respectively. The ultimate impact of the SAB 118 provisional amounts may differ from these provisional amounts, possibly materially, due to among other things, additional analysis, changes in interpretations and assumptions the Company has made, and additional interpretive regulatory guidance that may be issued. The accounting under SAB 118 is expected to be complete in the fourth quarter of 2018.

The effective income tax rate was (27.5%) and (3.5%) in the third quarter of 2018 and 2017, respectively, and 12.9% and 2.7% in the first nine months of 2018 and 2017, respectively. In the third quarter of 2018, the effective income tax rate was favorably impacted by a provisional benefit of \$27 million related to the revision to its estimate of the transition tax discussed above. In the first nine months of 2018, the effective income tax rate was favorably impacted by the reduction in the U.S. statutory income tax rate to 21% as a result of the Tax Act. This favorability was partially offset by an increased U.S. tax base as a result of the Tax Act. For the three months ended September 30, 2018 and 2017, the effective income tax rate was also favorably impacted by a tax benefit of \$45 million and \$58 million, respectively, related to purchase accounting amortization of approximately \$198 million and \$193 million, respectively, as a result of the merger between Quintiles and IMS Health. For the nine months ended September 30, 2018 and 2017, the effective income tax rate was also favorably impacted by a tax benefit of \$139 million and \$189 million, respectively, related to purchase accounting amortization of approximately \$608 million and \$561 million, respectively, as a result of the merger between Quintiles and IMS Health. The favorable impact related to purchase accounting in 2018 was substantially less than in 2017 due to the reduction in the U.S. statutory income tax rate to 21% in 2018.

14. Employee Benefit Plans

The following table summarizes the components of net periodic benefit cost for the Company's pension benefits:

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Service cost	\$ 10	\$ 10	\$ 30	\$ 29
Interest cost	5	6	15	16
Expected return on plan assets	(11)	(10)	(33)	(29)
Amortization of actuarial losses	—	1	—	1
Curtailments	(1)	—	(1)	—
	<u>\$ 3</u>	<u>\$ 7</u>	<u>\$ 11</u>	<u>\$ 17</u>

Interest cost and expected return on plan assets are recorded in other income, net on the accompanying condensed consolidated statements of income.

The above tables do not include the Company's expense associated with providing certain executives with supplemental pension benefits as well as postretirement medical, dental and life insurance benefits in accordance with their individual employment arrangements. The Company's net periodic expense related to these benefits for the three and nine months ended September 30, 2018 was de minimis.

15. Comprehensive Income

Below is a summary of the components of AOCI:

(in millions)	Foreign Currency Translation	Derivative Instruments	Defined Benefit Plans	Income Taxes	Total
Balance at December 31, 2017	\$ (214)	\$ 14	\$ 30	\$ 219	\$ 49
Other comprehensive (loss) income before reclassifications	(237)	11	—	(43)	(269)
Reclassification adjustments	—	—	—	—	—
Balance at September 30, 2018	<u>\$ (451)</u>	<u>\$ 25</u>	<u>\$ 30</u>	<u>\$ 176</u>	<u>\$ (220)</u>

Below is a summary of the adjustments for (gains) losses reclassified from AOCI into the condensed consolidated statements of income and the affected financial statement line item:

(in millions)	Affected Financial Statement Line Item	Three Months Ended September 30,		Nine Months Ended September 30,	
		2018	2017	2018	2017
Derivative instruments:					
Foreign exchange forward contracts	Revenues	\$ 1	\$ (1)	\$ (2)	\$ 8
Foreign exchange forward contracts	Other income, net	(2)	(1)	2	(8)
Total before income taxes		(1)	(2)	—	—
Income tax benefit		(1)	—	—	—
Total net of income taxes		<u>\$ —</u>	<u>\$ (2)</u>	<u>\$ —</u>	<u>\$ —</u>

16. Segments

The following table presents the Company's operations by reportable segment. The Company is managed through three reportable segments, Technology & Analytics Solutions, Research & Development Solutions and Contract Sales & Medical Solutions. Technology & Analytics Solutions provides mission-critical information, technology solutions and real-world insights and services to the Company's life science customers. Research & Development Solutions, which primarily serves biopharmaceutical customers, provides outsourced clinical research and clinical trial related services. Contract Sales & Medical Solutions provides health care provider (including contract sales) and patient engagement services to both biopharmaceutical customers and the broader healthcare market.

Certain costs are not allocated to the Company's segments and are reported as general corporate and unallocated expenses. These costs primarily consist of stock-based compensation and expenses for corporate overhead functions such as senior leadership, finance, human resources, information technology, facilities and legal. The Company does not allocate depreciation and amortization, impairment charges or restructuring costs to its segments. Asset information by segment is not presented, as this measure is not used by the chief operating decision maker to assess the Company's performance. The Company's reportable segment information is presented below:

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Revenues				
Technology & Analytics Solutions	\$ 1,014	\$ 898	\$ 3,010	\$ 2,646
Research & Development Solutions	1,382	1,341	4,097	3,836
Contract Sales & Medical Solutions	198	227	617	699
Total revenues	2,594	2,466	7,724	7,181
Costs of revenue, exclusive of depreciation and amortization				
Technology & Analytics Solutions	589	492	1,718	1,445
Research & Development Solutions	921	929	2,765	2,665
Contract Sales & Medical Solutions	168	190	521	584
Total costs of revenue	1,678	1,611	5,004	4,694
Selling, general and administrative expenses				
Technology & Analytics Solutions	197	166	572	494
Research & Development Solutions	154	151	463	426
Contract Sales & Medical Solutions	17	19	52	56
General corporate and unallocated	61	58	186	177
Total selling, general and administrative expenses	429	394	1,273	1,153
Segment profit				
Technology & Analytics Solutions	228	240	720	707
Research & Development Solutions	307	261	869	745
Contract Sales & Medical Solutions	13	18	44	59
Total segment profit	548	519	1,633	1,511
General corporate and unallocated	(61)	(58)	(186)	(177)
Depreciation and amortization	(283)	(256)	(847)	(733)
Impairment charges	—	—	—	(40)
Restructuring costs	(23)	(10)	(66)	(38)
Total income from operations	\$ 181	\$ 195	\$ 534	\$ 523

17. Earnings Per Share

The following table presents the weighted average number of outstanding stock-based awards not included in the computation of diluted earnings per share because they are subject to performance conditions or the effect of including such stock-based awards in the computation would be anti-dilutive:

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Shares subject to performance conditions	0.8	0.5	0.8	0.4
Shares subject to anti-dilutive stock-based awards	0.6	0.6	1.1	1.3
Total shares excluded from diluted earnings per share	1.4	1.1	1.9	1.7

The vesting of performance awards is contingent upon the achievement of certain performance targets. The performance awards are not included in diluted earnings per share until the performance targets have been met. Stock-based awards will have a dilutive effect under the treasury method when the respective period's average market value of the Company's common stock exceeds the exercise proceeds.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Cautionary Statement for Forward-Looking Information

You should read the following discussion and analysis of our financial condition and results of operations together with our condensed consolidated financial statements and the related notes included elsewhere in this Quarterly Report on Form 10-Q and with our audited consolidated financial statements and the notes thereto included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 (our "2017 10-K").

In addition to historical condensed consolidated financial information, the following discussion contains or incorporates by reference forward-looking statements within the meaning of the federal securities laws that are not historical facts but reflect, among other things, our current expectations and anticipated results of operations, all of which are subject to known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements, market trends, or industry results to differ materially from those expressed or implied by such forward-looking statements. Therefore, any statements contained herein that are not statements of historical fact may be forward-looking statements and should be evaluated as such. Without limiting the foregoing, the words "anticipates," "believes," "estimates," "expects," "intends," "may," "plans," "projects," "should," "targets," "will" and the negative thereof and similar words and expressions are intended to identify forward-looking statements. We assume no obligation to update any such forward-looking information to reflect actual results or changes in our outlook or the factors affecting such forward-looking information.

We caution you that any such forward-looking statements are further qualified by important factors that could cause our actual operating results to differ materially from those in the forward-looking statements, including without limitation, that most of our contracts may be terminated on short notice, and we may be unable to maintain large customers contracts or to enter into new contracts; our financial results may be adversely affected if we underprice our contracts, overrun our cost estimates or fail to receive approval for or experience delays in documenting change orders; the historical indications of the relationship of our backlog to revenues may not be indicative of their future relationship; we may be unable to maintain our information systems or effectively update or protect them; customer or therapeutic concentration could harm our business; our business is subject to risks associated with international operations, including economic, political and other risks, such as compliance with a myriad of laws and regulations, complications from conducting clinical trials in multiple countries simultaneously and changes in exchange rates; the market for our services may not grow as we expect; government regulators or our customers may limit the scope of prescription or withdraw products from the market, and government regulators may impose new regulatory requirements or may adopt new regulations affecting the biopharmaceutical industry; we may be unable to successfully develop and market new services or enter new markets; our failure to perform services in accordance with contractual requirements, regulatory standards and ethical considerations may subject us to significant costs or liability, which could also damage our reputation and cause us to lose existing business or not receive new business; our services are related to treatment of human patients, and we could face liability if a patient is harmed; we may be unable to successfully identify, acquire and integrate businesses, services and technologies; our investments in our customers' businesses or drugs and our related commercial rights strategies could have a negative impact on our financial performance; we face risks arising from the restructuring of our operations; our restructuring plans may not result in the annualized cost savings we expect; and we have substantial indebtedness and may incur additional indebtedness in the future, which could adversely affect our financial condition. For a further discussion of the risks relating to our business, see Part I—Item 1A—"Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017, as updated in this Quarterly Report on Form 10-Q.

Overview

IQVIA Holdings Inc. ("IQVIA," the "Company," "we," "our" and/or "us") is a leading global provider of advanced analytics, technology solutions and contract research services to the life sciences industry. We apply human data science – leveraging the analytic rigor and clarity of data science to the ever-expanding scope of human science – to enable companies to reimagine and develop new approaches to clinical development and commercialization, speed innovation, and accelerate improvements in healthcare outcomes. Powered by the IQVIA CORE™, we deliver unique and actionable insights at the intersection of large-scale analytics, transformative technology and extensive domain expertise, as well as execution capabilities. With more than 55,000 employees, we conduct operations in more than 100 countries.

We renamed two of our reportable segments during the second quarter of 2018. The reportable segment formerly known as Commercial Solutions is now named Technology & Analytics Solutions and the reportable segment formerly known as Integrated Engagement Services is now named Contract Sales & Medical Solutions. This is a name change only and there are no changes to the composition of either segment.

We manage our business through three reportable segments, Technology & Analytics Solutions, Research & Development Solutions and Contract Sales & Medical Solutions. Technology & Analytics Solutions provides critical information, technology solutions and real-world insights and services to our life science customers. Research & Development Solutions, which primarily serves biopharmaceutical customers, is engaged in research and development and provides clinical research and clinical trial services. Contract Sales & Medical Solutions provides contract sales to both biopharmaceutical customers and the broader healthcare market.

Effective January 1, 2018, we adopted the requirements of Accounting Standards Update (“ASU”) 2014-09, Revenue from Contracts with Customers (Topic 606) (“ASU 2014-09”) and ASU 2017-07, “Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost” (“ASU 2017-07”) using the full retrospective method. As a result of the adoption of ASU 2014-09 and ASU 2017-07, the Company retrospectively adjusted related presentations in its condensed consolidated financial statements and amounts and disclosures set forth in this Form 10-Q reflect these changes. See “Note 1 Summary of Significant Accounting Policies” within Item 1 of this Form 10-Q for more information about these changes.

Sources of Revenue

Total revenues are comprised of revenues from the provision of our services. We do not have material product revenues.

Costs and Expenses

Our costs and expenses are comprised primarily of our costs of revenue, which include reimbursed expenses, and selling, general and administrative expenses. Costs of revenue include compensation and benefits for billable employees and personnel involved in production, data management and delivery, and the costs of acquiring and processing data for our information offerings; costs of staff directly involved with delivering technology-related services offerings and engagements, related accommodations and the costs of data purchased specifically for technology services engagements; costs related to facilities; costs related to training and expenses for information technology (“IT”), reimbursed expenses that are comprised principally of payments to investigators who oversee clinical trials and travel expenses for our clinical monitors and sales representatives; and other expenses directly related to service contracts such as courier fees, laboratory supplies, professional services and travel expenses. Selling, general and administrative expenses include costs related to sales, marketing, and administrative functions (including human resources, legal, finance and general management) for compensation and benefits, travel, professional services, facilities and training and expenses for IT.

Foreign Currency Translation

In the first nine months of 2018, approximately 40% of our revenues were denominated in currencies other than the United States dollar, which represents approximately 55 currencies. Because a large portion of our revenues and expenses are denominated in foreign currencies and our financial statements are reported in United States dollars, changes in foreign currency exchange rates can significantly affect our results of operations. The revenue and expenses of our foreign operations are generally denominated in local currencies and translated into United States dollars for financial reporting purposes. Accordingly, exchange rate fluctuations will affect the translation of foreign results into United States dollars for purposes of reporting our condensed consolidated results. As a result, we believe that reporting results of operations that exclude the effects of foreign currency rate fluctuations on certain financial results can facilitate analysis of period-to-period comparisons. This constant currency information assumes the same foreign currency exchange rates that were in effect for the comparable prior-year period were used in translation of the current period results.

Consolidated Results of Operations

For information regarding our results of operations for Technology & Analytics Solutions, Research & Development Solutions and Contract Sales & Medical Solutions, refer to “Segment Results of Operations” later in this section.

Revenues

(in millions)	Three Months Ended September 30,		Change	
	2018	2017	\$	%
Revenues	\$ 2,594	\$ 2,466	\$ 128	5.2%

For the third quarter of 2018, our revenues increased \$128 million, or 5.2%, as compared to the same period in 2017. This increase was comprised of constant currency revenue growth of approximately \$155 million, or 6.3%, offset by the negative impact of approximately \$27 million from the effects of foreign currency fluctuations. The constant currency revenue growth was comprised of a \$135 million increase in Technology & Analytics Solutions and a \$47 million increase in Research & Development Solutions offset by a \$27 million decrease in Contract Sales & Medical Solutions.

(in millions)	Nine Months Ended September 30,		Change	
	2018	2017	\$	%
Revenues	\$ 7,724	\$ 7,181	\$ 543	7.6%

For the first nine months of 2018, our revenues increased \$543 million, or 7.6%, as compared to the same period in 2017. This increase was comprised of constant currency revenue growth of approximately \$460 million, or 6.4%, and a positive impact of approximately \$83 million from the effects of foreign currency fluctuations. The constant currency revenue growth was comprised of a \$331 million increase in Technology & Analytics Solutions and a \$222 million increase in Research & Development Solutions offset by a \$93 million decrease in Contract Sales & Medical Solutions.

Costs of Revenue, exclusive of Depreciation and Amortization

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Costs of revenue, exclusive of depreciation and amortization	\$ 1,678	\$ 1,611	\$ 5,004	\$ 4,694
% of revenues	64.7%	65.3%	64.8%	65.4%

The \$67 million increase in costs of revenues, exclusive of depreciation and amortization, for the three months ended September 30, 2018 as compared to the same period in 2017 included a constant currency increase of approximately \$90 million, or 5.6%, and a positive impact of approximately \$23 million from the effects of foreign currency fluctuations. The constant currency increase consisted of a \$105 million increase in Technology & Analytics Solutions and a \$4 million increase in Research & Development Solutions offset by a \$19 million decrease in Contract Sales & Medical Solutions.

The \$310 million increase in costs of revenues, exclusive of depreciation and amortization, for the nine months ended September 30, 2018 as compared to the same period in 2017 included a constant currency increase of approximately \$253 million, or 5.4%, and a negative impact of approximately \$57 million from the effects of foreign currency fluctuations. The constant currency increase consisted of a \$246 million increase in Technology & Analytics Solutions and a \$78 million increase in Research & Development Solutions offset by a \$71 million decrease in Contract Sales & Medical Solutions.

Selling, General and Administrative Expenses

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Selling, general and administrative expenses	\$ 429	\$ 394	\$ 1,273	\$ 1,153
% of revenues	16.5%	16.0%	16.5%	16.1%

The \$35 million increase in selling, general and administrative expenses for the three months ended September 30, 2018 as compared to the same period in 2017 included a constant currency increase of approximately \$43 million, or 10.9%, and a positive impact of approximately \$8 million from the effects of foreign currency fluctuations. The constant currency increase primarily consisted of a \$35 million increase in Technology & Analytics Solutions, a \$5 million increase in Research & Development Solutions and a \$4 million increase in general corporate and unallocated expenses offset by a decrease of \$1 million in Contract Sales & Medical Solutions.

The \$120 million increase in selling, general and administrative expenses for the nine months ended September 30, 2018 as compared to the same period in 2017 included a constant currency increase of approximately \$102 million, or 8.8%, and a negative impact of approximately \$18 million from the effects of foreign currency fluctuations. The constant currency increase primarily consisted of a \$67 million increase in Technology & Analytics Solutions, a \$32 million increase in Research & Development Solutions and a \$7 million increase in general corporate and unallocated expenses offset by a decrease of \$4 million in Contract Sales & Medical Solutions.

Depreciation and Amortization

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Depreciation and amortization	\$ 283	\$ 256	\$ 847	\$ 733
% of revenues	10.9%	10.4%	11.0%	10.2%

The \$27 million and \$114 million increases in depreciation and amortization in the three and nine months ended September 30, 2018, respectively, as compared to the same periods in 2017, were primarily due to higher intangible asset balances as a result of acquisitions occurring in 2017 and 2018 and foreign currency fluctuations.

Impairment Charges

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Impairment charges	\$ —	\$ —	\$ —	\$ 40

During the second quarter of 2017, the Company recognized \$40 million of impairment losses for declines in fair values of goodwill and identifiable intangible assets related to Encore Health Resources LLC ("Encore"), which we sold in the third quarter of 2017.

Restructuring Costs

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Restructuring costs	\$ 23	\$ 10	\$ 66	\$ 38

The \$13 million and \$28 million increases in restructuring costs in the three and nine months ended September 30, 2018, respectively, as compared to the same periods in 2017, were due to continuing efforts to streamline our global operations. The remaining actions under these plans are expected to occur throughout 2018 and into 2019 and are expected to consist of severance, facility closure and other exit-related costs.

Interest Income and Interest Expense

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Interest income	\$ (2)	\$ (2)	\$ (5)	\$ (5)
Interest expense	\$ 105	\$ 93	\$ 308	\$ 249

Interest income includes interest received primarily from bank balances and investments.

Interest expense during the three and nine months ended September 30, 2018 was higher than the same periods in 2017 due to an increase in the average debt outstanding, primarily as a result of the February 2017 issuance of €1,425 million (approximately \$1,522 million) of 3.25% senior notes, the September 2017 issuance of €420 million (approximately \$501 million) of 2.875% senior notes, the September 2017 incremental term B loan of \$750 million and the June 2018 issuance of \$1.63 billion of additional term B loans.

Loss on Extinguishment of Debt

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Loss on extinguishment of debt	\$ —	\$ 18	\$ 2	\$ 21

During the second quarter of 2018, we recognized a loss on extinguishment of debt for fees and expenses incurred related to the refinancing of our senior secured credit facilities of \$2 million as discussed further in Note 9 to our condensed consolidated financial statements included elsewhere in this Form 10-Q. During the three and nine months ended September 30, 2017, we recognized losses of \$18 million and \$21 million, respectively, on extinguishment of debt for fees and expenses incurred related to the refinancing of our senior notes and senior secured credit facilities.

Other Expense (Income), Net

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Other expense (income), net	\$ 27	\$ —	\$ 5	\$ (3)

Other expense (income), net for the three and nine months ended September 30, 2018 increased as compared to the same periods in the prior year, primarily as a result of an increase in fair value of acquisition-related contingent consideration offset by higher foreign currency gains and returns on pension assets.

Income Tax (Benefit) Expense

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Income tax (benefit) expense	\$ (14)	\$ (3)	\$ 29	\$ 7

The effective income tax rate was (27.5%) and (3.5%) in the third quarter of 2018 and 2017, respectively, and 12.9% and 2.7% in the first nine months of 2018 and 2017, respectively. During the third quarter of 2018, we recorded a \$27 million provisional benefit related to the one-time transition tax on undistributed foreign earnings as required by the Tax Cuts and Job Act (“the Tax Act”). This adjustment reduced the effective tax rate by 52.9 and 12.1 percentage points for the three and nine months ended September 30, 2018, respectively. In the first nine months of 2018, our effective income tax rate was favorably impacted by the reduction in the United States (“U.S.”) statutory income tax rate to 21% as a result of the Tax Act. This favorability was partially offset by an increased U.S. tax base as a result of the Tax Act. For the three months ended September 30, 2018 and 2017, our effective income tax rate was also favorably impacted by a tax benefit of \$45 million and \$58 million, respectively, related to purchase accounting amortization of approximately \$198 million and \$193 million, respectively, as a result of the merger between Quintiles Transnational Holdings Inc. (“Quintiles”) and IMS Health Holdings, Inc. (“IMS Health”). For the nine months ended September 30, 2018 and 2017, our effective income tax rate was also favorably impacted by a tax benefit of \$139 million and \$189 million, respectively, related to purchase accounting amortization of approximately \$608 million and \$561 million, respectively, as a result of the merger between Quintiles and IMS Health. The favorable impact related to purchase accounting in 2018 was substantially less than 2017 due to the reduction in the U.S. statutory income tax rate to 21% in 2018.

Equity in Earnings of Unconsolidated Affiliates

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Equity in earnings of unconsolidated affiliates	\$ 2	\$ 4	\$ 13	\$ 7

Equity in earnings of unconsolidated affiliates primarily included earnings from our investment in NovaQuest Pharma Opportunities Fund III, L.P.

Net Income Attributable to Non-controlling Interests

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net income attributable to non-controlling interests	\$ (7)	\$ (5)	\$ (18)	\$ (11)

Net income attributable to non-controlling interests primarily included Quest Diagnostics Incorporated's interest in Q² Solutions.

Segment Results of Operations

The Company's revenues and profit by segment are as follows:

Three Months Ended September 30, 2018 and 2017

(in millions)	Segment Revenues		Segment Profit	
	2018	2017	2018	2017
Technology & Analytics Solutions	\$ 1,014	\$ 898	\$ 228	\$ 240
Research & Development Solutions	1,382	1,341	307	261
Contract Sales & Medical Solutions	198	227	13	18
Total	2,594	2,466	548	519
General corporate and unallocated			(61)	(58)
Depreciation and amortization			(283)	(256)
Impairment charges			—	—
Restructuring costs			(23)	(10)
Consolidated	<u>\$ 2,594</u>	<u>\$ 2,466</u>	<u>\$ 181</u>	<u>\$ 195</u>

Nine Months Ended September 30, 2018 and 2017

(in millions)	Segment Revenues		Segment Profit	
	2018	2017	2018	2017
Technology & Analytics Solutions	\$ 3,010	\$ 2,646	\$ 720	\$ 707
Research & Development Solutions	4,097	3,836	869	745
Contract Sales & Medical Solutions	617	699	44	59
Total	7,724	7,181	1,633	1,511
General corporate and unallocated			(186)	(177)
Depreciation and amortization			(847)	(733)
Impairment charges			—	(40)
Restructuring costs			(66)	(38)
Consolidated	<u>\$ 7,724</u>	<u>\$ 7,181</u>	<u>\$ 534</u>	<u>\$ 523</u>

Certain costs are not allocated to our segments and are reported as general corporate and unallocated expenses. These costs primarily consist of stock-based compensation and expenses for corporate overhead functions such as senior leadership, finance, human resources, information technology, facilities and legal. We do not allocate depreciation and amortization, impairment charges or restructuring costs to our segments.

Technology & Analytics Solutions

(in millions)	Three Months Ended September 30,		Change	
	2018	2017	\$	%
Revenues	\$ 1,014	\$ 898	\$ 116	12.9%
Costs of revenue, exclusive of depreciation and amortization	589	492	97	19.7
Selling, general and administrative	197	166	31	18.7
Segment profit	<u>\$ 228</u>	<u>\$ 240</u>	<u>\$ (12)</u>	(5.0)%

(in millions)	Nine Months Ended September 30,		Change	
	2018	2017	\$	%
Revenues	\$ 3,010	\$ 2,646	\$ 364	13.8%
Costs of revenue	1,718	1,445	273	18.9
Selling, general and administrative	572	494	78	15.8
Segment profit	<u>\$ 720</u>	<u>\$ 707</u>	<u>\$ 13</u>	1.8%

Revenues

Technology & Analytics Solutions' revenues were \$1,014 million for the third quarter of 2018, an increase of \$116 million, or 12.9%, over the same period in 2017. This increase was comprised of constant currency revenue growth of approximately \$135 million, or 15.0%, and a negative impact of approximately \$19 million from the effects of foreign currency fluctuations. The constant currency growth resulted primarily from revenue growth in the Americas region as well as the Europe and Africa region. The revenue growth in these regions was driven by higher real-world and analytical services as well as incremental revenue from acquisitions.

Technology & Analytics Solutions' revenues were \$3,010 million for the first nine months of 2018, an increase of \$364 million, or 13.8%, over the same period in 2017. This increase was comprised of constant currency revenue growth of approximately \$331 million, or 12.5%, and a positive impact of approximately \$33 million from the effects of foreign currency fluctuations. The constant currency growth resulted primarily from revenue growth in the Americas region as well as the Europe and Africa region. The revenue growth in these regions was due to higher revenues across technology solutions, information offerings and real-world and analytical services as well as incremental revenue from acquisitions.

Costs of Revenue, exclusive of Depreciation and Amortization

Technology & Analytics Solutions' costs of revenue increased \$97 million, or 19.7%, in the third quarter of 2018 over the same period in 2017. This increase included a constant currency increase of approximately \$105 million, or 21.3%, and a positive impact of approximately \$8 million from the effects of foreign currency fluctuations.

Technology & Analytics Solutions' costs of revenue increased \$273 million, or 18.9%, in the first nine months of 2018 over the same period in 2017. This increase included a constant currency increase of approximately \$246 million, or 17.0%, and a negative impact of approximately \$27 million from the effects of foreign currency fluctuations.

The constant currency increase for both the three and nine months ended September 30, 2018 was primarily due to an increase in compensation and related expenses to support revenue growth and incremental costs from acquisitions.

Selling, General and Administrative Expenses

Technology & Analytics Solutions' selling, general and administrative expenses increased \$31 million, or 18.7%, in the third quarter of 2018 as compared to the same period in 2017, which included a constant currency increase of approximately \$35 million, or 21.1%, and a positive impact of approximately \$4 million from the effects of foreign currency fluctuations.

Technology & Analytics Solutions' selling, general and administrative expenses increased \$78 million, or 15.8%, in the first nine months of 2018 as compared to the same period in 2017, which included a constant currency increase of approximately \$67 million, or 13.6%, and a negative impact of approximately \$11 million from the effects of foreign currency fluctuations.

The constant currency increase for both the three and nine months ended September 30, 2018 was primarily related to an increase in compensation and related expenses from higher headcount to support growth and incremental costs from acquisitions.

Research & Development Solutions

(in millions)	Three Months Ended September 30,		Change	
	2018	2017	\$	%
Revenues	\$ 1,382	\$ 1,341	\$ 41	3.1%
Costs of revenue, exclusive of depreciation and amortization	921	929	(8)	(0.9)
Selling, general and administrative expenses	154	151	3	2.0
Segment profit	<u>\$ 307</u>	<u>\$ 261</u>	<u>\$ 46</u>	17.6%

(in millions)	Nine Months Ended September 30,		Change	
	2018	2017	\$	%
Revenues	\$ 4,097	\$ 3,836	\$ 261	6.8%
Costs of revenue	2,765	2,665	100	3.8
Selling, general and administrative expenses	463	426	37	8.7
Segment profit	<u>\$ 869</u>	<u>\$ 745</u>	<u>\$ 124</u>	16.6%

Backlog

Research & Development Solutions contracted backlog was \$16.40 billion at September 30, 2018, including reimbursed expenses, and we expect approximately \$4.6 billion of this backlog to convert to revenue in the next 12 months.

Revenues

Research & Development Solutions' revenues were \$1,382 million in the third quarter of 2018, an increase of \$41 million, or 3.1%, over the same period in 2017. This increase was comprised of constant currency revenue growth of approximately \$47 million, or 3.5%, and a negative impact of approximately \$6 million from the effects of foreign currency fluctuations. The constant currency growth primarily included volume-related increases in clinical services and lab testing volumes.

Research & Development Solutions' revenues were \$4,097 million in the first nine months of 2018, an increase of \$261 million, or 6.8%, over the same period in 2017. This increase was comprised of constant currency revenue growth of approximately \$222 million, or 5.8%, and a positive impact of approximately \$39 million from the effects of foreign currency fluctuations. The constant currency growth primarily included volume-related increases in clinical services, increased lab testing volumes and incremental revenue from acquisitions during the first six months of 2018.

Costs of Revenue, exclusive of Depreciation and Amortization

Research & Development Solutions' costs of revenue decreased \$8 million, or 0.9%, in the third quarter of 2018 over the same period in 2017. This decrease included a constant currency increase of approximately \$4 million, or 0.4%, offset by a positive impact of approximately \$12 million from the effects of foreign currency fluctuations.

Research & Development Solutions' costs of revenue increased \$100 million, or 3.8%, in the first nine months of 2018 over the same period in 2017. This increase included a constant currency increase of approximately \$78 million, or 2.9%, and a negative impact of approximately \$22 million from the effects of foreign currency fluctuations. The constant currency increase was primarily due to an increase in reimbursed expenses and an increase in compensation and related expenses as well as incremental costs from acquisitions during the first six months of 2018. Compensation and related expenses increased as a result of headcount to support revenue growth and our next generation of clinical development capabilities, which include analytics-driven methods and technology to optimize trial design.

Selling, General and Administrative Expenses

Research & Development Solutions' selling, general and administrative expenses increased \$3 million, or 2.0%, in the third quarter of 2018 as compared to the same period in 2017, which includes a constant currency increase of approximately \$5 million, or 3.3%, offset by a positive impact of approximately \$2 million from the effects of foreign currency fluctuations. The constant currency increase was primarily related to higher compensation and related expenses due to increased headcount to support growth.

Research & Development Solutions' selling, general and administrative expenses increased \$37 million, or 8.7%, in the first nine months of 2018 as compared to the same period in 2017, which includes a constant currency increase of approximately \$32 million, or 7.5%, and a negative impact of approximately \$5 million from the effects of foreign currency fluctuations. The constant currency increase was primarily related to higher compensation and related expenses due to increased headcount to support growth and our next generation of clinical development capabilities, as well as incremental costs from acquisitions during the first six months of 2018.

Contract Sales & Medical Solutions

(in millions)	Three Months Ended September 30,		Change	
	2018	2017	\$	%
Revenues	\$ 198	\$ 227	\$ (29)	(12.8)%
Costs of revenue, exclusive of depreciation and amortization	168	190	(22)	(11.6)
Selling, general and administrative expenses	17	19	(2)	(10.5)
Segment profit	<u>\$ 13</u>	<u>\$ 18</u>	<u>\$ (5)</u>	(27.8)%

(in millions)	Nine Months Ended September 30,		Change	
	2018	2017	\$	%
Revenues	\$ 617	\$ 699	\$ (82)	(11.7)%
Costs of revenue	521	584	(63)	(10.8)
Selling, general and administrative expenses	52	56	(4)	(7.1)
Segment profit	<u>\$ 44</u>	<u>\$ 59</u>	<u>\$ (15)</u>	(25.4)%

Revenues

Contract Sales & Medical Solutions' revenues were \$198 million in the third quarter of 2018, a decrease of \$29 million, or 12.8%, over the same period in 2017. This decrease included a constant currency revenue decline of approximately \$27 million, or 11.9%, and a negative impact of approximately \$2 million from the effects of foreign currency fluctuations.

Contract Sales & Medical Solutions' revenues were \$617 million in the first nine months of 2018, a decrease of \$82 million, or 11.7%, over the same period in 2017. This decrease included a constant currency revenue decline of approximately \$93 million, or 13.3%, partially offset by approximately \$11 million from the positive effects of foreign currency fluctuations.

The constant currency decline for both the three and nine months ended September 30, 2018 was largely due to cancellations in 2017 in the Americas region and reduced volume in the Asia-Pacific region.

Costs of Revenue, exclusive of Depreciation and Amortization

Contract Sales & Medical Solutions' costs of revenue decreased \$22 million, or 11.6%, in the third quarter of 2018 as compared to the same period in 2017. This decrease included a constant currency decline of approximately \$19 million, or 10.0%, and a positive impact of approximately \$3 million from the effects of foreign currency fluctuations.

Contract Sales & Medical Solutions' costs of revenue decreased \$63 million, or 10.8%, in the first nine months of 2018 as compared to the same period in 2017. This decrease included a constant currency decline of approximately \$71 million, or 12.2%, partially offset by approximately \$8 million from the negative effects of foreign currency fluctuations.

The constant currency decline for both the three and nine months ended September 30, 2018 was due to a decrease in compensation and related expenses resulting from a decrease in billable headcount.

Selling, General and Administrative Expenses

Contract Sales & Medical Solutions' selling, general and administrative expenses decreased \$2 million, or 10.5%, in the third quarter of 2018 as compared to the same period in 2017. This decrease included a constant currency decline of approximately \$1 million and a positive impact of approximately \$1 million from the effects of foreign currency fluctuations.

Contract Sales & Medical Solutions' selling, general and administrative decreased \$4 million, or 7.1%, in the first nine months of 2018 as compared to the same period in 2017. The decrease is primarily the result of lower compensation and related expenses from a reduction in headcount.

Liquidity and Capital Resources

Overview

We assess our liquidity in terms of our ability to generate cash to fund our operating, investing and financing activities. Our principal source of liquidity is operating cash flows. In addition to operating cash flows, other significant factors that affect our overall management of liquidity include: capital expenditures, acquisitions, investments, debt service requirements, dividends, equity repurchases, adequacy of our revolving credit and receivables financing facilities and access to the capital markets.

We manage our worldwide cash requirements by monitoring the funds available among our subsidiaries and determining the extent to which those funds can be accessed on a cost-effective basis. The repatriation of cash balances from certain of our subsidiaries could have adverse tax consequences; however, those balances are generally available without legal restrictions to fund ordinary business operations. We have and expect to transfer cash from those subsidiaries to the United States and to other international subsidiaries when it is cost effective to do so.

We had a cash balance of \$827 million at September 30, 2018 (\$153 million of which was in the United States), a decrease from \$959 million at December 31, 2017.

Based on our current operating plan, we believe that our available cash and cash equivalents, future cash flows from operations and our ability to access funds under our revolving credit and receivables financing facilities will enable us to fund our operating requirements and capital expenditures and meet debt obligations for at least the next 12 months. We regularly evaluate our debt arrangements, as well as market conditions, and from time to time we may explore opportunities to modify our existing debt arrangements or pursue additional financing arrangements that could result in the issuance of new debt securities by us or our affiliates. We may use our existing cash, cash generated from operations or dispositions of assets or businesses and/or proceeds from any new financing arrangements or issuances of debt or equity securities to repay or reduce some of our outstanding obligations, to repurchase shares from our stockholders or for other purposes. As part of our ongoing business strategy, we also continually evaluate new acquisition, expansion and investment possibilities or other strategic growth opportunities, as well as potential dispositions of assets or businesses, as appropriate, including dispositions that may cause us to recognize a loss on certain assets. Should we elect to pursue any such transaction, we may seek to obtain debt or equity financing to facilitate those activities. Our ability to enter into any such potential transactions and our use of cash or proceeds is limited to varying degrees by the terms and restrictions contained in our existing debt arrangements. We cannot provide assurances that we will be able to complete any such financing arrangements or other transactions on favorable terms or at all.

Equity Repurchase Program

During the first nine months of 2018, we repurchased 7,522,304 shares of our common stock for approximately \$792 million. These amounts include 4,000,000 shares of our common stock, which we repurchased directly from an underwriter in connection with a secondary public offering of shares of our common stock held by certain of our principal stockholders for an aggregate purchase price of \$412 million. See Note 10 to our condensed consolidated financial statements included elsewhere in this Form 10-Q for additional details regarding our repurchase program.

As of September 30, 2018, we have remaining authorization to repurchase up to \$889 million of our common stock under our Repurchase Program. In addition, from time to time, we have repurchased and may continue to repurchase common stock through private or other transactions outside of our Repurchase Program.

Debt

On April 6, 2018, we amended our credit agreement to increase our revolving credit facility borrowing capacity to \$1.5 billion.

On June 11, 2018, we amended our credit agreement (the “Amendment”) to extend the maturity of our existing term A loans and revolving credit facility to 2023 and reduce the applicable interest rate to LIBOR plus a margin ranging from 1.25% to 2.00%. In connection with this Amendment, we recognized a \$2 million loss on extinguishment of debt, which includes fees and related expenses.

Under the Amendment, we also placed additional term B loans. The additional term B loans will mature in 2025 and were comprised of \$950 million of U.S. dollar denominated term B loans and €583 million (\$681 million) Euro denominated term B loans. The U.S. dollar denominated term B loans bear interest based on the U.S. Dollar LIBOR plus a margin ranging from 1.75% to 2.00%. The Euro denominated term B loans bear interest based on the Euro LIBOR with a floor ranging from 0.50% to 0.75%, plus a margin of 2.00%. The proceeds of the additional term B loans were used to pay down the revolving credit facility and \$650 million of existing term B loans due 2024 and to pay fees and expenses in connection with the transactions. See Note 9 to our condensed consolidated financial statements included elsewhere in this Form 10-Q for additional information regarding this Amendment.

As of September 30, 2018, we had \$10.7 billion of total indebtedness, excluding \$1.3 billion of additional available borrowings under our revolving credit facilities.

Our long-term debt arrangements contain customary restrictive covenants and, as of September 30, 2018, we believe we were in compliance with our restrictive covenants in all material respects.

Nine months ended September 30, 2018 and 2017

Cash Flow from Operating Activities

(in millions)	Nine Months Ended September 30,	
	2018	2017
Net cash provided by operating activities	\$ 837	\$ 737

Cash provided by operating activities increased \$100 million during the first nine months of 2018 as compared to the same period in 2017. The increase is primarily due to higher accounts payable and accrued expenses partially offset by an increase in unbilled services due to timing of invoicing and higher payments for interest.

Cash Flow from Investing Activities

(in millions)	Nine Months Ended September 30,	
	2018	2017
Net cash used in investing activities	\$ (632)	\$ (774)

Cash used in investing activities decreased \$142 million during the first nine months of 2018 as compared to the same period in 2017. The decrease is primarily due to lower cash used for the acquisition of businesses (\$270 million), partially offset by higher cash used for the acquisition of property, equipment and software (\$54 million), an increase in investments in equity securities, including our investment in COTA, Inc. during the first quarter of 2018 (\$20 million) and an increase in investments in unconsolidated affiliates, including our investment in a third party during this quarter (\$20 million).

Cash Flow from Financing Activities

(in millions)	Nine Months Ended September 30,	
	2018	2017
Net cash used in financing activities	\$ (294)	\$ (117)

Cash used in financing activities increased \$177 million during the first nine months of 2018 as compared to the same period in 2017. The increase in cash used in financing activities was primarily related to less cash from debt issuances, net of repayments (\$1,524 million), \$68 million less cash from employee stock option plans, \$20 million of higher contingent consideration and deferred purchase price payments and \$16 million of increased net distributions to non-controlling interest, partially offset by a decline in cash used to repurchase common stock (\$1,451 million).

Contractual Obligations and Commitments

We have various contractual obligations, which are recorded as liabilities in our consolidated financial statements. Other items, such as operating lease obligations, are not recognized as liabilities in our consolidated financial statements but are required to be disclosed.

There have been no material changes, outside of the ordinary course of business, to our contractual obligations as previously disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

Application of Critical Accounting Policies

With the exception of the changes to our accounting for revenue from contracts with customers below and the presentation of the other components of net periodic pension and postretirement benefit cost disclosed in Note 1 to the condensed consolidated financial statements included elsewhere in this Form 10-Q, there have been no material changes to our critical accounting policies as previously disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

Revenue Recognition

The Company's arrangements are primarily service contracts that range in duration from a few months to several years. In some cases, contracts provide for variable consideration that is contingent upon the occurrence of uncertain future events, such as performance incentives (including royalty payments or penalty clauses that can either increase or decrease the transaction price). We estimate the amount of variable consideration at the expected value or at the most likely amount depending on the type of consideration. Estimated amounts are included in the transaction price to the extent it is probable based on available information (historical, current and forecasted). Cash payments made to customers as incentives to induce the customers to enter into service agreements with us are amortized as a reduction of revenue over the period the services are performed. We record revenues net of any tax assessments by governmental authorities, such as value added taxes, that are imposed on and concurrent with specific revenue generating transactions.

We derive the majority of our revenues in the Technology & Analytics Solutions segment from various information and technology services offerings. Technology services offerings may contain multiple performance obligations consisting of a mix of small and large-scale services and consulting projects, multi-year outsourcing contracts and Software-as-a-Service ("SaaS") arrangements. These arrangements typically have terms ranging from several weeks to three years, with a majority having terms of one year or less. For arrangements that include multiple performance obligations, the transaction price is allocated to the identified performance obligations based on their relative standalone selling prices. For these contracts, the standalone selling prices are based on our normal pricing practices when sold separately with consideration of market conditions and other factors, including customer demographics and geographic location.

The majority of revenue in our Research & Development Solutions segment is recognized over time using a cost-based input method since there is no single output measure that would fairly depict the transfer of control over the life of the performance obligation. Progress on the performance obligation is measured by the proportion of actual costs incurred to the total costs expected to complete the contract. Costs included in the measure of progress include direct labor and third-party costs (such as payments to investigators and travel expenses for the Company's clinical monitors). This cost-based method of revenue recognition requires us to make estimates of costs to complete our projects on an ongoing basis. Significant judgment is required to evaluate assumptions related to these estimates. These significant estimates of project costs are updated and adjusted on a regular basis. These updates and adjustments are likely to result in variability in our revenue recognition from period to period that may cause unexpected variability in our operating results. At any point in time, we are working on thousands of active client projects, which are governed by individual contracts. Most projects are customized based on the needs of the client, the type of services being provided, therapeutic indication of the drug, geographic locations and other variables. Project specific terms related to pricing, billing terms and the scope and type of services to be provided are generally negotiated and contracted on a project-by-project basis. Changes in the scope of work are common, especially under long-term contracts, and generally result in a change in contract value. In such situations, we enter into negotiations for a contract amendment to reflect the change in scope and the related price. Depending on the complexity of the amendment, the negotiation process can take from a few weeks for a simple adjustment to several months for a complex amendment. Management may authorize the project team to commence work on activities outside the contract scope while we negotiate and finalize the contract amendment. In these limited cases, if we are not able to obtain a contract amendment from the client, our profit margin on the arrangement may be impacted. This result occurs because our costs of delivery are expensed as they are incurred, while revenue is not recognized unless the client has agreed to the changes in scope and renegotiated pricing terms in a form that meets the definition of a contract under Accounting Standards Codification Topic 606 "Revenue from Contracts with Customers."

The majority of revenue in our Contract Sales & Medical Solutions segment is from contract sales to the biopharmaceutical industry and broader healthcare market and recognized over time using a single measure of progress dependent on the performance obligation. Some of our Contract Sales & Medical Solutions contracts contain multiple performance obligations with distinct promises including recruiting, sales force automation and deployment of sales representatives. The nature of the terms of these performance obligations will vary based on the customized needs of the customer. For contracts that have multiple performance obligations, the standalone selling prices of our performance obligations are not directly observable since they are rarely sold standalone. Therefore, we estimate the standalone selling prices using an expected cost plus a margin approach under which expected costs of satisfying a performance obligation are forecasted and added to an appropriate margin for that distinct good or service.

See Note 1 to our condensed consolidated financial statements included elsewhere in this Form 10-Q for further discussion.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes to our quantitative and qualitative disclosures about market risk as compared to the quantitative and qualitative disclosures about market risk described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (“Exchange Act”) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on such evaluation, our CEO and CFO have concluded that as of such date, our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in management’s evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the period covered by this Quarterly Report on Form 10-Q that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

We are party to legal proceedings incidental to our business. While the outcome of these matters could differ from management’s expectations, we do not believe that the resolution of these matters is reasonably likely to have a material adverse effect to our financial statements.

Item 1A. Risk Factors

For a discussion of the risks relating to our business, see Part I—Item 1A—“Risk Factors” of our Annual Report on Form 10-K for the fiscal year ended December 31, 2017. There have been no material changes from the risk factors previously disclosed in our Annual Report.

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds and Issuer Purchases of Equity Securities

Recent Sales of Unregistered Securities

Not applicable.

Use of Proceeds from Registered Securities

Not applicable.

Purchases of Equity Securities by the Issuer

On October 30, 2013, our Board of Directors (the “Board”) approved the Repurchase Program authorizing the repurchase of up to \$125.0 million of either our common stock or vested in-the-money employee stock options, or a combination thereof. Our Board increased the stock repurchase authorization under the Repurchase Program with respect to the repurchase of our common stock by \$600 million, \$1.5 billion, \$2.0 billion and \$1.5 billion in 2015, 2016, 2017 and February 2018, respectively, which increased the total amount that has been authorized under the Repurchase Program to \$5.725 billion. The Repurchase Program does not obligate us to repurchase any particular amount of common stock or vested in-the-money employee stock options, and it may be modified, suspended or discontinued at any time. The timing and amount of repurchases are determined by our management based on a variety of factors such as the market price of our common stock, our corporate requirements, and overall market conditions. Purchases of our common stock may be made in open market transactions effected through a broker-dealer at prevailing market prices, in block trades, or in privately negotiated transactions. We may also repurchase shares of our common stock pursuant to a trading plan meeting the requirements of Rule 10b5-1 under the Exchange Act, which would permit shares of our common stock to be repurchased when we might otherwise be precluded from doing so by law. Repurchases of vested in-the-money employee stock options were made through transactions between us and our employees (other than our executive officers, who were not eligible to participate in the program), and this aspect of the Repurchase Program expired in November 2013. The Repurchase Program for common stock does not have an expiration date.

Since the merger between Quintiles and IMS Health, we have repurchased 51.4 million shares of our common stock at an average market price per share of \$86.09 for an aggregate purchase price of \$4,422 million both under and outside of the Repurchase Program.

From inception of the Repurchase Program through September 30, 2018, we have repurchased a total of \$4,836 million of our securities under the Repurchase Program consisting of \$59 million of stock options and \$4,777 million of common stock.

During the first nine months of 2018, we repurchased 7,522,304 shares of our common stock for approximately \$792 million under the Repurchase Program. These amounts include 4,000,000 shares of our common stock, which we repurchased directly from an underwriter in connection with a secondary public offering of shares of our common stock held by certain of our principal stockholders for an aggregate purchase price of \$412 million. See Note 10 to our condensed consolidated financial statements included elsewhere in this Form 10-Q for additional details regarding our repurchase program.

As of September 30, 2018, we have remaining authorization to repurchase up to \$889 million of our common stock under the Repurchase Program. In addition, from time to time, we have repurchased and may continue to repurchase common stock through private or other transactions outside of the Repurchase Program.

The following table summarizes the monthly equity repurchase program activity for the three months ended September 30, 2018 and the approximate dollar value of shares that may yet be purchased pursuant to the Repurchase Program. In addition, the table includes shares withheld from employees to satisfy certain tax obligations due in connection with grants of stock under the Quintiles IMS Holdings, Inc. 2017 Incentive and Stock Award Plan (“the Plan”). The Plan provides for the withholding of shares to satisfy tax obligations. It does not specify a maximum number of shares that can be withheld for this purpose. The shares of common stock withheld to satisfy tax withholding obligations may be deemed to be “issuer purchases” of shares that are required to be disclosed pursuant to this Item.

(in millions, except per share data)	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs
July 1, 2018 — July 31, 2018	—	\$ —	—	\$ 1,023
August 1, 2018 — August 31, 2018	0.1	\$ 123.79	0.1	\$ 1,013
September 1, 2018 — September 30, 2018	1.0	\$ 126.31	1.0	\$ 889
	<u>1.1</u>		<u>1.1</u>	

Item 6. Exhibits

The exhibits below are filed or furnished as a part of this report and are incorporated herein by reference.

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference			
			Form	File No.	Exhibit	Filing Date
10.1	Employment Agreement, dated as of July 26, 2018, between the Company and the CEO.		8-K	001-35907	10.1	July 27, 2018
31.1	Certification of Chief Executive Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X				
31.2	Certification of Executive Vice President and Chief Financial Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X				
32.1	Certification of Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X				
32.2	Certification of Executive Vice President and Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X				
101	Interactive Data Files Pursuant to Rule 405 of Regulation S-T: (i) Condensed Consolidated Statements of Income (unaudited), (ii) Condensed Consolidated Statements of Comprehensive Income (unaudited), (iii) Condensed Consolidated Balance Sheets (unaudited), (iv) Condensed Consolidated Statements of Cash Flows (unaudited), and (v) Notes to Condensed Consolidated Financial Statements (unaudited).	X				

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Quarterly Report on Form 10-Q to be signed on its behalf by the undersigned, thereunto duly authorized on October 25, 2018.

IQVIA HOLDINGS INC.

/s/ Michael R. McDonnell

Michael R. McDonnell

Executive Vice President and Chief Financial Officer

(On behalf of the Registrant and as Principal Financial Officer)

**CERTIFICATION OF PERIODIC REPORT UNDER SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Ari Bousbib, certify that:

1. I have reviewed this quarterly report on Form 10-Q of IQVIA Holdings Inc. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: October 25, 2018

/s/ Ari Bousbib
Ari Bousbib
Chairman, Chief Executive Officer and President
(Principal Executive Officer)

**CERTIFICATION OF PERIODIC REPORT UNDER SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Michael R. McDonnell, certify that:

1. I have reviewed this quarterly report on Form 10-Q of IQVIA Holdings Inc. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: October 25, 2018

/s/ Michael R. McDonnell

Michael R. McDonnell

Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

I, Ari Bousbib, Chairman, Chief Executive Officer and President of IQVIA Holdings Inc. (the “Company”), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) the Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2018 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the periods presented therein.

Date: October 25, 2018

/s/ Ari Bousbib

Ari Bousbib

Chairman, Chief Executive Officer and President
(Principal Executive Officer)

This certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and shall not be deemed “filed” by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and shall not be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Report, irrespective of any general incorporation language contained in such filing.

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

I, Michael R. McDonnell, Executive Vice President and Chief Financial Officer of IQVIA Holdings Inc. (the “Company”), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) the Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2018 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the periods presented therein.

Date: October 25, 2018

/s/ Michael R. McDonnell

Michael R. McDonnell

Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

This certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and shall not be deemed “filed” by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and shall not be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Report, irrespective of any general incorporation language contained in such filing.

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.