

The following is a transcript of an interview which took place on Newstalk Business Breakfast radio show in Ireland on February 25, 2021.

Newstalk Business Breakfast – 25 February 2021

Vincent Wall: We're joined now by Brendan Brennan, Chief Financial Officer of ICON. Brendan, ICON is a pretty big clinical trials business, providing contract services for pharma and biomedical businesses around the world already. Why have you just agreed to buy a major competitor, PRA Health Sciences, a \$12 billion deal?

Brendan Brennan: Good morning Vincent and thanks for the opportunity to have this chat. Listen, it's a wonderful opportunity for ICON to really actually get to, you know, a very senior place in the overall CRO industry. This deal will put us in number one or two in all of our markets, it will also increase the depth and strength of our organisation, both from the elements of how we work in our business therapeutically, so there will be no disease that we won't be able to tackle effectively and there will be no part of the world where we won't be able to develop patient relationships and get patients onto clinical research. The scale of this deal, as I've said, brings us to a very senior position and if you look at places like China and Japan, where clinical research continues to expand, as it does everywhere around the world, we'll have in excess of 1,000 employees in both of those geographies. So it really does answer all of the unmet questions for us as an organisation in terms of scale, depth and therapeutic excellence. So it's a really exciting deal for us.

Vincent Wall: Now you're paying a fairly generous price for this Brendan – a 30% premium to PRA's last disclosed price on the stock exchange...and the market doesn't seem to like that. Last night your share price down about 8% on Nasdaq, PRA's up 19%. Investors kind of signalling who they think has really benefited from this deal?

Brendan Brennan: I think Vincent it's fair to say that there's probably two pieces at play there, there always will be. As we outlined yesterday, it's a 50% stock deal, so there is an element of natural arbitrage between the two stock prices, which is fair. And also we're putting together two separate organisations, and putting together two service organisations is all about culture, it's all about retention of people and we're going to be extremely focused on that. And that gives some people some nervousness at this point. But we're very positive on the deal and I think the other thing that I'd really like to point out here, Vincent, is that they are a great organisation. They've been a very strong competitor for us for a long time. We know the value of this organisation from top to bottom in terms of their ability to complete, their ability to do work and just the quality and strength of this organisation. So we feel that we've paid, I won't say a full price, but an appropriate price and we really do feel that there's a great amount of value creation for our shareholders in the long-term.

Vincent Wall: Now your statement yesterday said that there should be double-digit earnings growth out of this combination, accretion out of this combination, but also up to \$150M a year in synergies or cost savings. You in ICON already employ 16,000 employees around the world and PRA 19,000 – are some employees going to have to go and I suppose Irish people are most worried about your operations here, where you employ over 1,000 people.

Brendan Brennan: Sure Vincent, listen I think one of the great things about this organisation, and the combined organisation, is that we're really moving from a point of strength. As we've talked about, obviously clinical research now is something that has become household topic at this stage, which is extraordinary, compared to where we were a couple of years ago. And the growth in the market, both in terms of large scale, whether it be vaccine trials – of course we've just finished working ourselves on the Pfizer BioNTech trial and delivering that trial, from an outsourced clinical research perspective – but there's a huge amount of work in that area as well, a huge amount of investment in funding across the biotech areas and that's really driving the industry very strongly. So both of us have had a great quarter four, great bookings in terms of new business in the quarter, and we really are looking forward to this being a growth opportunity in absolute terms. While we have synergy costs, we do feel that they're very easily done through leverage of that growth, but also from relooking at office infrastructures and systems infrastructures to make sure that we're all on one office infrastructure and one IT platform and it's very doable from that perspective. So this for us is a really big growth opportunity and I would see that doubly so for our Irish operations. This is an organisation that wants to continue to grow, and do so strongly in the vast majority of our geographies and absolutely that's true of Ireland.

Vincent Wall: And the newly merged business, and I know that it needs regulatory approval, but the newly merged business will continue to be headquartered in Ireland, largely the same Irish-based management team. One of the attractions it seems though of the deal, apart from what you've already discussed, Brendan, is the new combined tax rate, which I presume is our 12.5% rate kicking in for the new entity.

Brendan Brennan: It will take time to get to a lower tax rate. The combined entity will start off with about a 17% tax rate Vincent, and overtime we think that that can probably reduce to about 14%. Of course we work in excess of 40 different countries about the globe, in this new entity, as we do in ICON at the moment, and you're going to be looking at all the different tax rates in all those different countries. So it's not just as simple as saying that we're going to move to the Irish tax rate. But certainly being headquartered in Ireland means that we contract out of this country, we're a proud Irish organisation, we wear that proudly, there's no issues with that and we'll tell every country in the world that the company is managed from Ireland and that is the way things work. So we do think that is an opportunity for the combined business, but we think in the longer term it's more like a 14% tax rate, taking in the blend of all the other tax rates that we would use across the globe.

Vincent Wall: And briefly Brendan, you referenced there the central part that you played in supporting Pfizer BioNTech's trials in its COVID-19 vaccine. Do you expect a lot of that work to continue and perhaps for other companies through 2021?

Brendan Brennan: Yeah, we are seeing a very active pipeline on vaccine development, obviously with additional programmes around niche patient population groups, so you're seeing pregnant mums, paediatric trials ongoing now Vincent. You're seeing the variants, obviously, developing in the actual disease, and we're testing and trialling new and additional drugs for some of the large, established players in terms of developing new drugs around that as well. So yes, vaccines will remain active, as indeed will the anti-viral treatments for those folks who have actually caught COVID-19. So it will remain a very, very active marketplace and we certainly haven't seen that abate at all as we come into Q4 and into Q1 indeed in 2021.

Vincent Wall: OK, Brendan Brennan Chief Financial Officer of the new, about to be highly enlarged ICON. Thanks indeed for joining us this morning.

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