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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date Earliest Event reported): July 28, 2021

PPD, Inc.
(Exact name of registrant as specified in its charter)

Delaware	001-39212	45-3806427
(State or other jurisdiction of incorporation or organization)	(Commission file number)	(I.R.S. Employer Identification No.)

929 North Front Street,
Wilmington, North Carolina 28401

910-251-0081
(Address, including zip code, and telephone number, including area code, of registrant’s principal executive offices.

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e- 4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.01 per share	PPD	The NASDAQ Stock Market LLC (Nasdaq Global Select Market)

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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. ☐

Item 2.02 Results of Operations and Financial Condition.

On July 28, 2021, PPD, Inc. (the "Company") issued a press release reporting its financial results for the second quarter of 2021. A copy of this press release is furnished as Exhibit 99.1 to this Current Report on Form 8-K.

The information contained in Item 2.02 of this Current Report on Form 8-K, including Exhibit 99.1 furnished herewith, shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such filing.

Item 9.01 Financial Statements and Exhibits.

(d) *Exhibits.*

Exhibit No.	Description
99.1*	Press Release entitled "PPD Reports Second Quarter and Year-to-Date 2021 Results"
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Furnished herewith.

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

PPD, Inc.

By: /s/ Julia James
Name: Julia James
Title: General Counsel

Date: July 28, 2021

Exhibit 99.1

PPD Reports Second Quarter and Year-To-Date 2021 Results

WILMINGTON, N.C. (July 28, 2021) - PPD, Inc. (Nasdaq: PPD), a leading global contract research organization, today reported its financial results for the second quarter ended June 30, 2021.

Highlights

- Net authorizations growth of 58.4% over second quarter 2020 to $1,666.4 million, resulting in a net book-to-bill ratio of 1.55x on a historical basis
- Ending backlog growth of 22.3% over second quarter 2020 to $9,275.2 million on a historical basis
- Revenue of $1,575.5 million, representing growth of 55.8% over second quarter 2020
- Net income attributable to common stockholders of $58.7 million, compared to a net loss attributable to common stockholders of $9.1 million in second quarter 2020
- Adjusted EBITDA of $257.4 million, compared to $194.4 million in second quarter 2020
- Diluted earnings per share of $0.16, compared to a diluted loss per share of $0.03 in second quarter 2020
- Adjusted diluted earnings per share of $0.39, compared to $0.25 in second quarter 2020

"I'm delighted to report that our strong momentum across the business continued in the second quarter," said David Simmons, PPD's chairman and CEO. "In addition to achieving solid growth in net authorizations, our colleagues' commitment to delivering for customers helped drive significant revenue growth. With our differentiated capabilities, deep customer relationships and culture of quality and innovation, we remain well positioned for ongoing success as we look forward to the anticipated merger with Thermo Fisher Scientific."

Second Quarter 2021 Results

Revenue for the three months ended June 30, 2021 increased 55.8% to $1,575.5 million, compared to $1,010.9 million for the three months ended June 30, 2020. At the segment level, Clinical Development Services revenue of $1,300.2 million grew 59.5% and Laboratory Services revenue of $275.3 million grew 40.7%, each compared to the three months ended June 30, 2020.

Net income attributable to common stockholders for the three months ended June 30, 2021 was $58.7 million, or $0.16 per diluted share, compared to a net loss attributable to common stockholders of $9.1 million, or $0.03 per diluted share, for the three months ended June 30, 2020. Adjusted net income for the three months ended June 30, 2021 was $138.4 million, or $0.39 per diluted share, compared to adjusted net income of $87.1 million, or $0.25 per diluted share, for the three months ended June 30, 2020.

Adjusted EBITDA for the three months ended June 30, 2021 was $257.4 million, compared to $194.4 million for the three months ended June 30, 2020.

Important disclosures about, and reconciliations of, non-GAAP measures to their most directly comparable GAAP measures, including adjusted net income, adjusted diluted earnings per share and adjusted EBITDA, are provided in the "Non-GAAP Financial Measures" section of this press release.

Year-to-Date 2021 Results

Revenue for the six months ended June 30, 2021 increased 41.8% to $2,953.9 million, compared to $2,083.4 million for the six months ended June 30, 2020. At the segment level, Clinical Development Services revenue of $2,417.6 million grew 43.4% and Laboratory Services revenue of $536.3 million grew 35.0%, each compared to the six months ended June 30, 2020.

Net income attributable to common stockholders for the six months ended June 30, 2021 was $133.2 million, or $0.37 per diluted share, compared to a net loss attributable to common stockholders of $4.9 million, or $0.01 per diluted share, for the six months ended June 30, 2020. Adjusted net income for the six months ended June 30, 2021 was $263.2 million, or $0.73 per diluted share, compared to adjusted net income of $163.7 million, or $0.49 per diluted share, for the six months ended June 30, 2020.

Adjusted EBITDA for the six months ended June 30, 2021 was $498.3 million, compared to $391.2 million for the six months ended June 30, 2020.

Backlog and Net Authorizations

The following tables provide select information related to PPD's backlog and net authorizations as of and for the three months ended June 30, 2021, compared to the three months ended June 30, 2020:

	Historical Basis		**ASC 606 Direct Basis**		**ASC 606 Basis**	
(dollars in millions)	**2021**	**% Change**	**2021**	**% Change**	**2021**	**% Change**
Net authorizations	$1,666.4	58.4%	$1,666.4	58.4%	$2,421.8	53.3%
Ending backlog	9,275.2	22.3%	9,632.9	22.6%	13,899.5	24.2%
Backlog conversion	12.4%		11.7%		12.1%	
Net book-to-bill	1.55x		1.58x		1.54x	

Financial Position

As of June 30, 2021, cash and cash equivalents were $949.0 million, gross debt was $4,292.7 million and net debt was $3,343.7 million, resulting in a net leverage ratio of 3.4x trailing 12 month adjusted EBITDA.

As of June 30, 2021, PPD had $598.4 million of borrowing capacity under its revolving credit facility. Total liquidity, which is comprised of PPD's borrowing capacity under its revolving credit facility and its cash and cash equivalents, was $1,547.4 million as of June 30, 2021, representing 56.1% growth compared to June 30, 2020.

Financial Guidance

Due to the proposed merger with Thermo Fisher previously announced on April 15, 2021, which is subject to regulatory approvals in addition to the satisfaction of customary closing conditions, PPD is not providing financial guidance.

Webcast and Conference Call Details

PPD will host a conference call on Thursday, July 29, 2021 at 7 a.m. (U.S. Eastern Time) to discuss its second quarter 2021 financial results. The conference call can be accessed live over the phone by dialing +1 877 407 0784, or for international callers, +1 201 689 8560. Due to the proposed merger, there will be no opportunity to ask questions on the conference call.

Investors and other interested parties also may listen to a live webcast of the conference call by logging onto the investors section of PPD's website at https://investors.ppd.com. A replay will be available after the call and can be accessed by dialing +1 844 512 2921, or for international callers, +1 412 317 6671. The passcode for the live conference call and the replay is 13721078. The audio replay will be available until Thursday, August 12, 2021.

About PPD

PPD is a leading global contract research organization providing comprehensive, integrated drug development, laboratory and lifecycle management services. Our customers and partners include pharmaceutical, biotechnology, medical device, academic and government organizations. With more than 28,000 professionals worldwide, PPD has conducted clinical trials in more than 100 countries to help customers deliver life-changing therapies to improve health. We apply innovative technologies, therapeutic expertise and a firm commitment to quality to bend the cost and time curve of drug development and optimize value. For more information, visit www.ppd.com.

PPD Contacts

Media:	Investors:
Ned Glascock	Tracy Krumme
+1 910 558 8760	+1 910 558 4186
media@ppd.com	investors@ppd.com

Forward-Looking Statements

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such forward-looking statements reflect our current views with respect to, among other things, the following: our proposed merger with Thermo Fisher Scientific Inc. (“Thermo Fisher”), our current expectations and anticipated results of operations, our financial performance, the impact from the novel coronavirus disease (“COVID-19”) pandemic, the continued reliance of the biopharmaceutical industry on outsourcing to contract research organizations, the continued growth in research and development spending in the biopharmaceutical industry, estimated growth rates in addressable markets and our ability to effectively recruit, train, develop and retain talented individuals. These forward-looking statements 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. These statements often include words such as “anticipate,” “expect,” “suggest,” “plan,” “believe,” “intend,” “project,” “forecast,” “estimates,” “targets,” “projections,” “should,” “could,” “would,” “may,” “might,” “will,” and other similar expressions. We base these forward-looking statements on our current expectations, plans and assumptions that we have made in light of our experience in the industry, as well as our perceptions of historical trends, current conditions, expected future developments and other factors we believe are appropriate under the circumstances at this time, including the impact from the COVID-19 pandemic and the proposed merger with Thermo Fisher. As you consider this press release, you should understand that these statements are not guarantees of performance or results. The forward-looking statements contained herein are subject to and involve risks, uncertainties and assumptions and you should not place undue reliance on these forward-looking statements. Although we believe that these forward-looking statements are based on reasonable assumptions at the time they are made, actual results might differ materially from those expressed in the forward-looking statements. Some of the factors, risks and uncertainties that might materially affect the forward-looking statements contained herein and may make an investment in our securities speculative or risky include, but are not limited to, the following: uncertainties associated with the proposed merger with Thermo Fisher; the occurrence of any event, change or other circumstances that could give rise to the termination of the merger agreement; the inability to complete the proposed merger due to the failure to satisfy conditions to completion of the proposed merger, including that a governmental entity may prohibit, delay or refuse to grant approval for the consummation of the proposed merger; risks related to disruption of management’s attention from our ongoing business operations due to the proposed merger; the effect of the announcement of the proposed merger on our relationships with our customers, operating results and business generally; the risk that the proposed merger will not be consummated in a timely manner; the costs of the proposed merger if the proposed merger is not consummated; restrictions imposed on our business during the pendency of the proposed merger; potential litigation instituted against us or our directors challenging the proposed merger; any failure of our backlog to accurately predict or convert into future revenue; the fact that our customers can terminate, delay or reduce the scope of our contracts with them upon short notice or with no notice; the impact of industry, customer and therapeutic area concentration; consolidation amongst our customers, and the potential for rationalization of the combined drug development pipeline, resulting in fewer products in clinical development; our ability to accurately price our contracts and manage our costs associated with performance of such contracts; any failures in our information and communication systems, including cybersecurity breaches, impacting us or our customers, clinical trial participants or employees; our dependence on our technology network, and the impact from upgrades to the network; any failure to perform services in accordance with contractual requirements, regulatory standards and ethical standards; our ability to access clinical research sites, attract suitable investigators or enroll a sufficient number of patients for our customers’ clinical trials; any failure by us to comply with numerous privacy laws; our ability to keep pace with rapid technological changes that could make our services less competitive or obsolete; our ability to recruit, retain and motivate key personnel, including the loss of any key executive; our dependence on third parties for critical goods and support services, including a significant impact from the COVID-19 pandemic on our suppliers; any violation of laws, including laws governing the conduct of clinical trials or other biopharmaceutical research, and anti-corruption laws, such as the U.S. Foreign Corrupt Practices Act and the United Kingdom Bribery Act of 2010; competition between our existing and potential customers and the potential negative impact on our business; our management of business restructuring transactions and the integration of acquisitions; risks related to the drug and medical device development services industry that could result in potential liability that could affect our business, reputation and financial condition; any failure of our insurance to cover the potential liabilities, including indemnification obligations, associated with the operation of our business and provision of services and changes to our insurance coverage; our use of biological and hazardous materials, which could violate law or cause injury or death, resulting in liability; international or U.S. economic, currency, political and other risks, such as those from the COVID-19 pandemic; disruptions to our operations by the occurrence of a natural disaster, pandemic or other catastrophic events; the current and uncertain future impact from the COVID-19 pandemic on our business, growth, reputation, prospects, financial condition, results of operations (including components of our financial results), cash flows and liquidity; changes in tax laws, such as U.S. tax reform, or interpretations of existing tax laws; economic conditions, import/export implications and regulatory changes relating to the United Kingdom's exit from the European Union; any inability to adequately protect our intellectual property or the security of our systems and the data stored therein; our investments in third parties, which are illiquid and subject to loss; the substantial value of our goodwill and intangible assets, which we might not fully realize, resulting in impairment losses; difficult and volatile conditions in the capital and credit markets and in the overall economy, including those caused by the COVID-19 pandemic; the fragmented and highly competitive nature of the drug development services industry; changes in trends in the biopharmaceutical industry, including decreases in research and development spending and outsourcing; the potential adverse effect that the political, economic and/or regulatory influences and changes impacting the United States and international healthcare industry could have on both our customers' and our businesses, including as a result of healthcare reform; any patent or other intellectual property litigation we might be involved in; risks related to our indebtedness; risks related to ownership of our common stock; the significant influence certain stockholders have over us; other factors beyond our control; and other risk factors set forth in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020, and in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2021, as such factors may be further updated from time to time in our periodic filings with the SEC, copies of which are available free of charge on the SEC website at www.sec.gov. These cautionary statements should not be construed by you to be exhaustive and are made only as of the date hereof. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Backlog and Net Authorizations

Revenue is comprised of direct, third-party pass-through and out-of-pocket revenue from providing services to customers. Direct revenue represents revenue associated with the direct services. Third-party pass-through and out-of-pocket revenue (collectively, "indirect revenue") represents the reimbursement by customers of third-party pass-through and out-of-pocket costs incurred by PPD under its contracts with customers.

PPD has continued to report backlog and net authorizations on a basis that excludes indirect revenues and the impact of Accounting Standards Codification ("ASC") 606 ("ASC 606") on direct revenue ("Historical Basis"). PPD also assesses backlog and net authorizations on an ASC 606 direct revenue basis ("ASC 606 Direct Basis") and on an ASC 606 total direct and indirect revenue basis ("ASC 606 Basis").

Net authorizations represent new business awards, net of award or contract modifications, contract cancellations, foreign currency fluctuations and other adjustments. Backlog for all periods represents anticipated revenues for work not yet completed or performed (i) under signed contracts, letters of intent and, in some cases, awards that are supported by other forms of written communication and (ii) where there is sufficient or reasonable certainty about the customer's ability and intent to fund and commence the services within six months. Backlog conversion represents quarterly revenues for the period divided by opening backlog for that period. The net book-to-bill ratio represents the amount of net authorizations for the period divided by revenues recognized in that period.

Backlog might not be a reliable indicator of future revenue and PPD might not realize all or any part of the revenue from the authorizations in backlog as of any point in time.

Non-GAAP Financial Measures

In addition to the financial measures prepared in accordance with generally accepted accounting principles in the United States ("GAAP"), this press release contains certain non-GAAP financial measures, including adjusted EBITDA, adjusted net income, adjusted diluted earnings per share, net debt, net leverage ratio and total liquidity. A non-GAAP financial measure is generally defined as a numerical measure of a company's financial performance or financial position that excludes or includes amounts so as to be different than the most directly comparable measure calculated and presented in accordance with GAAP.

Adjusted EBITDA consists of net income or loss attributable to common stockholders of PPD, adjusted for changes in recapitalization investment portfolio consideration and net income or loss attributable to noncontrolling interest and before interest expense, net, provision for or benefit from income taxes and depreciation and amortization and eliminates (i) non-operating income or expense and (ii) impacts of certain non-cash, unusual or other items that are included in net income or loss that we do not consider indicative of our ongoing operating performance. Adjusted net income (and adjusted diluted earnings per share) consists of net income or loss (and diluted earnings or loss per share) attributable to common stockholders of PPD before the provision for income taxes, amortization and the elimination of (i) non-operating income or expense and (ii) impacts of certain non-cash, unusual or other items that are included in net income or loss that we do not consider indicative of our ongoing operating performance. In the case of adjusted EBITDA, adjusted net income and adjusted diluted earnings per share, we believe that making such adjustments provides management and investors meaningful information to understand our operating performance and the ability to analyze financial and business trends on a period-to-period basis. Although we exclude amortization of acquired intangible assets from our non-GAAP expenses, we note that revenue generated from such intangibles is included within revenue in determining net income or loss attributable to common stockholders of PPD. Net debt consists of the outstanding principal balance of the term loan, senior unsecured notes, finance lease obligations and revolving credit borrowings, less cash and cash equivalents, and the net leverage ratio is equal to net debt divided by trailing 12-month adjusted EBITDA.

Other companies in our industry may calculate adjusted EBITDA, adjusted net income, adjusted diluted earnings per share, net debt, net leverage ratio and total liquidity differently than we do. As a result, these non-GAAP financial measures have limitations as analytical and comparative tools and should not be considered in isolation, or as a substitute for analysis of our results as reported under GAAP. Adjusted EBITDA, adjusted net income, adjusted diluted earnings per share, net debt, net leverage ratio and total liquidity should not be considered as measures of discretionary cash available to us to invest in the growth of our business. In calculating these performance and liquidity financial measures, we make certain adjustments that are based on assumptions and estimates that may prove to have been inaccurate. Our presentation of adjusted EBITDA, adjusted net income, adjusted diluted earnings per share, net debt, net leverage ratio and total liquidity should not be construed as an inference that our future results and financial position will be unaffected by unusual items.

Beginning in the first quarter of 2021, PPD made certain presentation changes as described below to the reconciliations of (i) adjusted EBITDA and (ii) adjusted net income, in each case, to net income (loss) calculated in accordance with GAAP. The presentation changes had no impact on previously reported adjusted EBITDA or adjusted net income for any prior period. In order to provide comparability between the 2021 periods and the corresponding 2020 periods, PPD recast its historical reconciliations of adjusted EBITDA and adjusted net income to net income (loss) calculated in accordance with GAAP to conform to the new presentation.

For the purposes of reconciling both adjusted EBITDA and adjusted net income to net income (loss) calculated in accordance with GAAP, PPD now presents the provision for (benefit from) income taxes as a separate reconciling item. In addition, for the purposes of reconciling adjusted net income to net income (loss) calculated in accordance with GAAP, each of (i) adjusted income before provision for (benefit from) income taxes and (ii) adjusted provision for (benefit from) income taxes are now presented as reconciling items. The new presentation differs from PPD’s historical practice of aggregating periodic reconciling items to present a total of all such adjustments in connection with the calculation of adjusted net income. PPD believes the new presentation will assist investors and other users of the supplemental non-GAAP financial information, primarily in evaluating the periodic adjusted provision for (benefit from) income taxes and related periodic adjusted tax rates.

In addition, for both the reconciliation of adjusted EBITDA and the reconciliation of adjusted net income to GAAP net income, the amount of PPD’s equity in losses of unconsolidated affiliates is now presented as a separate reconciling item as opposed to the historical practice of being included within the reconciling item titled “other adjustments”. PPD believes the separate presentation of equity in losses of unconsolidated affiliates provides additional detail that will assist investors and other users of the financial statements in evaluating the differences between non-GAAP financial measures and their most directly comparable GAAP measures.

PPD, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

(in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	**2020**	**2021**	**2020**
Revenue	$ 1,575,472	$ 1,010,918	$ 2,953,852	$ 2,083,380
Operating costs and expenses:				
Direct costs, exclusive of depreciation and amortization	500,196	374,839	977,820	789,278
Reimbursed costs	516,509	223,807	897,346	474,657
Selling, general and administrative expenses	330,027	237,616	623,963	485,392
Depreciation and amortization	80,255	68,763	153,398	135,078
Long-lived asset impairment	—	—	1,584	—
Total operating costs and expenses	1,426,987	905,025	2,654,111	1,884,405
Income from operations	148,485	105,893	299,741	198,975
Interest expense, net	(46,134)	(51,403)	(93,346)	(116,113)
Loss on extinguishment of debt	—	(43,469)	(10,677)	(93,534)
(Loss) gain on investments	(9,869)	96,621	(47,098)	69,749
Other (expense) income, net	(12,634)	(26,238)	(3,631)	3,056
Income before provision for income taxes	79,848	81,404	144,989	62,133
Provision for income taxes	26,375	17,230	41,428	9,513
Income before equity in losses of unconsolidated affiliates	53,473	64,174	103,561	52,620
Equity in losses of unconsolidated affiliates, net of income taxes	(2,009)	(2,063)	(4,761)	(3,629)
Net income	51,464	62,111	98,800	48,991
Net income attributable to noncontrolling interest	(456)	(194)	(1,911)	(2,912)
Net income attributable to PPD, Inc.	51,008	61,917	96,889	46,079
Recapitalization investment portfolio consideration	7,727	(71,059)	36,339	(50,997)
Net income (loss) attributable to common stockholders of PPD, Inc.	$ 58,735	$ (9,142)	$ 133,228	$ (4,918)
Earnings (loss) per share attributable to common stockholders of PPD, Inc.:				
Basic	$ 0.17	$ (0.03)	$ 0.38	$ (0.01)
Diluted	$ 0.16	$ (0.03)	$ 0.37	$ (0.01)
Weighted-average common shares outstanding:				
Basic	351,134	348,584	350,784	333,023
Diluted	359,272	348,584	358,468	333,023

PPD, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(unaudited)

(in thousands, except par value)

	June 30, 2021	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	$ 948,997	$ 767,999
Accounts receivable and unbilled services, net	2,006,725	1,609,718
Income taxes receivable	30,356	22,386
Prepaid expenses and other current assets	166,580	146,100
Total current assets	3,152,658	2,546,203
Property and equipment, net	498,408	496,474
Investments in unconsolidated affiliates	41,855	43,178
Investments	221,533	265,894
Goodwill, net	1,820,000	1,820,208
Intangible assets, net	663,640	748,404
Other assets	201,463	201,643
Operating lease right-of-use assets	149,585	171,839
Total assets	$ 6,749,142	$ 6,293,843
Liabilities, Redeemable Noncontrolling Interest and Stockholders’ Deficit		
Current liabilities:		
Accounts payable	$ 190,531	$ 176,341
Accrued expenses:		
Payables to investigators	525,469	404,654
Accrued employee compensation	289,469	331,156
Other accrued expenses	181,296	195,779
Income taxes payable	33,336	21,206
Unearned revenue	1,351,584	1,060,544
Current portion of operating lease liabilities	45,123	51,643
Current portion of long-term debt and finance lease obligations	34,696	36,238
Total current liabilities	2,651,504	2,277,561
Accrued income taxes	22,098	18,658
Deferred tax liabilities	54,793	54,535
Recapitalization investment portfolio liability	155,584	191,923
Long-term operating lease liabilities, less current portion	119,957	137,657
Long-term debt and finance lease obligations, less current portion	4,206,241	4,226,192
Other liabilities	45,707	98,908
Total liabilities	7,255,884	7,005,434
Redeemable noncontrolling interest	36,045	34,929
Stockholders’ deficit:		
Preferred stock - $0.01 par value; 100,000 shares authorized; None issued and outstanding	—	—
Common stock - $0.01 par value; 2,000,000 shares authorized; 351,952 shares issued and 351,312 shares outstanding as of June 30, 2021 and 350,858 shares issued and 350,132 shares outstanding as of December 31, 2020	3,520	3,509
Treasury stock, at cost, 640 and 726 shares as of June 30, 2021 and December 31, 2020, respectively	(11,941)	(13,268)
Additional paid-in-capital	1,852,175	1,819,892
Accumulated deficit	(2,138,580)	(2,271,808)
Accumulated other comprehensive loss	(247,961)	(284,845)
Total stockholders’ deficit	(542,787)	(746,520)
Total liabilities, redeemable noncontrolling interest and stockholders’ deficit	$ 6,749,142	$ 6,293,843

PPD, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

(in thousands)

	Six Months Ended June 30,	
	2021	**2020**
Cash flows from operating activities:		
Net income	$ 98,800	$ 48,991
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	153,398	135,078
Stock-based compensation expense	20,948	10,690
Operating lease right-of-use asset expense	24,344	21,710
Amortization of debt issuance costs and debt discounts	3,969	6,013
Loss (gain) on investments	47,098	(69,749)
Deferred income tax (benefit) expense	(15,657)	18,575
Loss on extinguishment of debt	10,677	93,534
Amortization of costs to obtain a contract	8,009	4,660
Other	5,951	7,025
Change in operating assets and liabilities:		
Accounts receivable and unbilled services, net	(406,100)	(96,636)
Prepaid expenses and other current assets	(16,267)	29,362
Other assets	3,988	(24,134)
Income taxes, net	8,224	(28,480)
Accounts payable, accrued expenses and other liabilities	88,893	(22,312)
Operating lease liabilities	(26,333)	(21,244)
Unearned revenue	285,094	17,694
Net cash provided by operating activities	295,036	130,777
Cash flows from investing activities:		
Purchases of property and equipment	(52,901)	(68,508)
Capital contributions paid for investments, net of distributions	(2,737)	(1,918)
Investment in unconsolidated affiliate	(5,000)	—
Other	—	1,664
Net cash used in investing activities	(60,638)	(68,762)
Cash flows from financing activities:		
Proceeds from New Term Loan	3,034,750	—
Redemption of 2015 Term Loan	(3,064,006)	—
Borrowing on revolving credit facility	—	150,000
Repayment of revolving credit facility	—	(150,000)
Proceeds from issuance of 2025 and 2028 Notes	—	1,200,000
Redemption of HoldCo Notes	—	(1,464,500)
Redemption of OpCo Notes	—	(1,160,865)
Payments on long-term debt and finance leases	(9,695)	(23,153)
Payment of debt issuance costs	(24,112)	(17,232)
Net proceeds from initial public offering	—	1,772,960
Recapitalization investment portfolio distribution	(12,819)	—
Proceeds from exercise of stock options	14,587	2,709
Payments related to tax withholdings for stock-based compensation	(2,240)	—
Purchase of treasury stock	—	(626)
Net cash (used in) provided by financing activities	(63,535)	309,293
Effect of exchange rate changes on cash and cash equivalents	10,135	(23,460)
Net increase in cash and cash equivalents	180,998	347,848
Cash and cash equivalents, beginning of the period	767,999	345,187
Cash and cash equivalents, end of the period	$ 948,997	$ 693,035

PPD, INC. AND SUBSIDIARIES
Reconciliation of GAAP to Non-GAAP Measures
(unaudited)
(in thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,		Twelve Months Ended June 30,
	2021	**2020**	**2021**	**2020**	**2021**
Net income (loss) attributable to common stockholders of PPD, Inc.	$ 58,735	$ (9,142)	$ 133,228	$ (4,918)	$ 258,299
Recapitalization investment portfolio consideration	(7,727)	71,059	(36,339)	50,997	(53,798)
Net income attributable to noncontrolling interest	456	194	1,911	2,912	5,864
Net income	51,464	62,111	98,800	48,991	210,365
Reconciliation to Adjusted EBITDA:					
Interest expense, net	46,134	51,403	93,346	116,113	194,165
Provision for income taxes	26,375	17,230	41,428	9,513	50,720
Depreciation and amortization	80,255	68,763	153,398	135,078	297,436
Stock-based compensation expense	13,448	5,418	20,948	10,690	31,532
Option holder special bonuses (a)	470	2,038	1,189	4,143	3,334
Other expense (income), net	12,634	26,238	3,631	(3,056)	69,426
Long-lived asset impairment	—	—	1,584	—	2,998
Severance and charges for other cost reduction activities (b)	940	1,484	1,196	2,238	1,263
Transaction-related and public company transition costs (c)	9,765	2,433	12,179	6,058	16,298
Loss on extinguishment of debt	—	43,469	10,677	93,534	10,677
Loss (gain) on investments (d)	9,869	(96,621)	47,098	(69,749)	64,110
Equity in losses of unconsolidated affiliates (e)	2,009	2,063	4,761	3,629	9,320
Other adjustments (f)	4,051	8,344	8,079	34,049	21,116
Adjusted EBITDA	$ 257,414	$ 194,373	$ 498,314	$ 391,231	$ 982,760
Reconciliation to Adjusted Net Income:					
Net income	$ 51,464	$ 62,111	$ 98,800	$ 48,991	
Provision for income taxes	26,375	17,230	41,428	9,513	
Amortization of intangible assets	46,134	39,388	84,734	79,085	
Amortization of debt issuance costs and debt discount	2,046	2,156	3,969	6,013	
Amortization of accumulated other comprehensive income on derivatives	—	(3,804)	—	(6,146)	
Stock-based compensation expense	13,448	5,418	20,948	10,690	
Option holder special bonuses (a)	470	2,038	1,189	4,143	
Other expense (income), net	12,634	26,238	3,631	(3,056)	
Long-lived asset impairment	—	—	1,584	—	
Severance and charges for other cost reduction activities (b)	940	1,484	1,196	2,238	
Transaction-related and public company transition costs (c)	9,765	2,433	12,179	6,058	
Loss on extinguishment of debt	—	43,469	10,677	93,534	
Loss (gain) on investments (d)	9,869	(96,621)	47,098	(69,749)	
Equity in losses of unconsolidated affiliates (e)	2,009	2,063	4,761	3,629	
Other adjustments (f)	4,051	8,344	8,079	34,049	
Adjusted income before provision for income taxes	179,205	111,947	340,273	218,992	
Adjusted provision for income taxes (g)	(40,831)	(24,805)	(77,106)	(55,342)	
Adjusted net income	$ 138,374	$ 87,142	$ 263,167	$ 163,650	
Diluted weighted-average common shares outstanding	359,272	348,584	358,468	333,023	
Adjusted diluted earnings per share (h)	$ 0.39	$ 0.25	$ 0.73	$ 0.49	

PPD, INC. AND SUBSIDIARIES
Reconciliation of GAAP to Non-GAAP Measures
(unaudited)
(in thousands, except net leverage ratio)

alculation of Net Leverage Ratio as of June 30, 2021

oss debt	$	4,292,672
ss: Cash and cash equivalents		948,997
et debt	$	3,343,675
ailing twelve month adjusted EBITDA	$	982,760
et leverage ratio (net debt/trailing 12 month adjusted EBITDA)		3.4x

---

(a) Represents PPD’s costs associated with special cash bonuses paid to PPD’s option holders.

(b) Represents employee separation costs, exit and disposal costs associated with the full or partial exit of certain leased facilities, costs associated with planned employee reorganizations and other contract termination costs from various cost-reduction activities.

(c) Represents integration and transaction costs incurred with completed or contemplated acquisitions, costs incurred in connection with PPD’s initial public offering (“IPO”), secondary offering, costs associated with PPD’s public company transition, costs associated with the proposed merger with Thermo Fisher, which is subject to regulatory approvals in addition to the satisfaction of customary closing conditions, and other transaction costs.

(d) Represents the fair value accounting gains or losses primarily from PPD’s investments in Auven Therapeutics Holdings, L.P. and venBio Global Strategic Fund, L.P.

(e) Represents unconsolidated losses from PPD’s equity method investments in Medable, Inc. and Science 37, Inc.

(f) Other adjustments include amounts that management believes are not representative of our operating performance. These adjustments include implementation costs associated with a new enterprise resource planning application, one-time costs incurred in 2020 associated with the termination of a long-term incentive program which has been replaced by a traditional stock-based program in 2020, advisory costs associated with the adoption of new accounting standards, one-time costs and income associated with the COVID-19 pandemic, management fees incurred under consulting services agreements with certain investment funds of Hellman & Friedman LLC and its affiliates and The Carlyle Group Inc. and its affiliates which terminated upon consummation of PPD’s IPO and other unusual charges or income.

(g) Represents the estimated tax effect on adjusted income before provision for income taxes using applicable statutory rates and other adjustments that are not representative of PPD’s operating performance.

(h) The effect of certain securities considered anti-dilutive under GAAP, if included, would not change adjusted diluted earnings per share as presented for the three and six months ended June 30, 2020.