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

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2017

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to .

Commission file number: 001-37856

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

Delaware	**32-0434904**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

5375 Medpace Way, Cincinnati, OH 45227
(Address of principal executive offices) (Zip Code)

(513) 579-9911
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐		Accelerated filer	☐
Non-accelerated filer	☒	(Do not check if a smaller reporting company)	Smaller reporting company	☐
Emerging growth company	☒			

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

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

Class	Number of Shares Outstanding
Common Stock $0.01 par value	**39,486,848 shares outstanding as of July 28, 2017**

MEDPACE HOLDINGS, INC. AND SUBSIDIARIES
FORM 10-Q
FOR QUARTERLY PERIOD ENDED JUNE 30, 2017

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

MEDPACE HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(Amounts in thousands, except share amounts)	As Of	
	June 30, 2017	December 31. 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 29,055	$ 37,099
Restricted cash	275	308
Accounts receivable and unbilled, net (includes $1.2 million and $2.3 million with related parties at June 30, 2017 and December 31, 2016, respectively)	76,664	79,767
Prepaid expenses and other current assets	17,129	16,074
Total current assets	123,123	133,248
Property and equipment, net	45,244	43,805
Goodwill	660,981	660,981
Intangible assets, net	117,676	136,071
Deferred income taxes	11,536	97
Other assets	5,086	4,903
Total assets	$ 963,646	$ 979,105
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 7,195	$ 10,911
Accrued expenses	16,392	24,417
Pre-funded study costs (includes $1.5 million and $3.9 million with related parties at June 30, 2017 and December 31, 2016, respectively)	48,530	51,948
Advanced billings (includes $4.2 million and $7.6 million with related parties at June 30, 2017 and December 31, 2016, respectively)	65,577	65,668
Current portion of long-term debt	14,438	12,375
Other current liabilities	3,130	3,284
Total current liabilities	155,262	168,603
Long-term debt, net, less current portion	143,191	151,267
Deemed landlord liability, less current portion	27,591	28,527
Deferred income tax liability	481	12,030
Deferred credit	21,420	-
Other long-term liabilities	8,343	7,968
Total liabilities	356,288	368,395
Commitments and contingencies (see Note 11)		
Shareholders' equity:		
Preferred stock - $0.01 par-value; 5,000,000 shares authorized; no shares issued and outstanding at June 30, 2017 and December 31, 2016, respectively	-	-
Common stock - $0.01 par-value; 250,000,000 shares authorized at June 30, 2017 and December 31, 2016, respectively; 39,692,999 and 40,662,856 shares issued and outstanding at June 30, 2017 and December 31, 2016, respectively	398	407
Additional paid-in capital	627,407	623,629
Accumulated deficit	(18,419)	(9,584)
Accumulated other comprehensive loss	(2,028)	(3,742)
Total shareholders' equity	607,358	610,710
Total liabilities and shareholders' equity	$ 963,646	$ 979,105

See notes to condensed consolidated financial statements.

MEDPACE HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(Amounts in thousands, except per share amounts)	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Revenue:				
Service revenue, net (includes $2.9 million and $4.6 million with related parties for the three months ended June 30, 2017 and 2016, respectively, and $6.9 million and $12.4 million with related parties for the six months ended June 30, 2017 and 2016)	$ 94,552	$ 92,633	$ 188,333	$ 180,433
Reimbursed out-of-pocket revenue (includes $0.4 million and $1.7 million with related parties for the three months ended June 30, 2017 and 2016, respectively, and $1.1 million and $2.9 million with related parties for the six months ended June 30, 2017 and 2016)	11,664	13,321	24,494	25,107
Total revenue	106,216	105,954	212,827	205,540
Operating expenses:				
Direct costs, excluding depreciation and amortization	51,955	49,234	103,060	96,215
Reimbursed out-of-pocket expenses (includes $0.4 million and $1.7 million with related parties for the three months ended June 30, 2017 and 2016, respectively, and $1.1 million and $2.9 million with related parties for the six months ended June 30, 2017 and 2016)	11,664	13,321	24,494	25,107
Selling, general and administrative	14,755	14,824	29,909	28,333
Depreciation	2,101	1,793	4,231	3,566
Amortization	9,462	12,668	18,910	25,336
Total operating expenses	89,937	91,840	180,604	178,557
Income from operations	16,279	14,114	32,223	26,983
Other expense, net:				
Miscellaneous expense, net	(125)	(6)	(497)	(941)
Interest expense, net	(1,808)	(5,921)	(3,602)	(11,894)
Total other expense, net	(1,933)	(5,927)	(4,099)	(12,835)
Income before income taxes	14,346	8,187	28,124	14,148
Income tax provision	4,793	3,225	10,124	5,738
Net income	$ 9,553	$ 4,962	$ 18,000	$ 8,410
Net income per share attributable to common shareholders:				
Basic	$ 0.24	$ 0.15	$ 0.44	$ 0.26
Diluted	$ 0.23	$ 0.15	$ 0.44	$ 0.26
Weighted average common shares outstanding:				
Basic	40,183	32,636	40,425	32,631
Diluted	40,825	32,828	41,158	32,631

See notes to condensed consolidated financial statements.

MEDPACE HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

(Amounts in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net income	$ 9,553	$ 4,962	$ 18,000	$ 8,410
Other comprehensive income (loss)				
Foreign currency translation adjustments, net of taxes	1,118	(564)	1,714	8
Comprehensive income	$ 10,671	$ 4,398	$ 19,714	$ 8,418

See notes to condensed consolidated financial statements.

MEDPACE HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(Amounts in thousands)	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 18,000	$ 8,410
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation	4,231	3,566
Amortization	18,910	25,336
Stock-based compensation expense	2,234	4,275
Amortization of debt issuance costs and discount	332	1,345
Deferred income tax benefit	(864)	(483)
Other	(744)	(207)
Changes in assets and liabilities:		
Accounts receivable and unbilled, net	3,405	(24,825)
Prepaid expenses and other current assets	(519)	(8,551)
Accounts payable	(2,855)	(2,112)
Accrued expenses	(8,398)	(1,461)
Pre-funded study costs	(3,510)	2,372
Advanced billings	(294)	15,017
Other assets and liabilities, net	(195)	(2,191)
Net cash provided by operating activities	29,733	20,491
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property and equipment expenditures	(6,019)	(5,693)
Acquisition of intangibles	(515)	-
Other	29	40
Net cash used in investing activities	(6,505)	(5,653)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from stock option exercises	955	102
Repurchases of common stock	(26,405)	-
Payment of debt	(6,187)	(15,036)
Payment of deemed landlord liability	(813)	(744)
Net cash used in financing activities	(32,450)	(15,678)
EFFECT OF EXCHANGE RATES ON CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	1,145	143
DECREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(8,077)	(697)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH — Beginning of period	37,407	17,737
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH — End of period	$ 29,330	$ 17,040

See notes to condensed consolidated financial statements.

(1) Basis of Presentation

Description of Business

Medpace Holdings, Inc. together with its subsidiaries, (“Medpace” or the “Company”), a Delaware corporation, is a global provider of clinical research-based drug and medical device development services. The Company partners with pharmaceutical, biotechnology, and medical device companies in the development and execution of clinical trials. The Company’s drug development services focus on full service Phase I-IV clinical development services and include development plan design, coordinated central laboratory, project management, regulatory affairs, clinical monitoring, data management and analysis, pharmacovigilance new drug application submissions, and post-marketing clinical support. The Company also provides bio-analytical laboratory services, clinical human pharmacology, imaging services, and electrocardiography reading support for clinical trials.

The Company’s operations are principally based in North America, Europe, and Asia.

Unaudited Interim Financial Information

The interim condensed consolidated financial statements include the accounts of the Company, are prepared in conformity with U.S. generally accepted accounting principles (“GAAP”), and are unaudited. In the opinion of the Company’s management, all adjustments of a normal recurring nature necessary for a fair presentation have been reflected. Certain financial information that is normally included in annual financial statements prepared in accordance with GAAP, but that is not required for interim reporting purposes, has been omitted. The preparation of the interim condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the interim condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results and outcomes could differ from management’s estimates and assumptions. 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 and related notes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2016.

Share Repurchases

In April 2017, the Board of Directors (the “Board”) of the Company authorized a share repurchase program with an authorized repurchase level of $50.0 million. The share repurchase program, according to its terms, will expire in April 2018. Repurchases under the repurchase program may take place in the open market or negotiated transactions, at the discretion of the Company’s management. During the three and six months ended June 30, 2017, the Company repurchased 1,042,455 shares of its outstanding common stock for $26.4 million.

Recently Adopted Accounting Standards

In January 2017, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2017-01, Business Combinations. The standard changes the definition of a business to assist entities with evaluating when a set of transferred assets and activities is a business. Under the new guidance, an entity first determines whether substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets. If this threshold is met, the set is not a business. If it’s not met, the entity then evaluates whether the set meets the requirement that a business include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. ASU 2017-01 is effective for fiscal years beginning after December 15, 2017, and for interim periods within those fiscal years. The Company, as permitted, early adopted ASU 2017-01 using the prospective method in the second quarter of 2017. ASU 2017-01 was considered in the asset acquisition described in Note 2.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. The new guidance is intended to reduce diversity in practice by requiring the statement of cash flows to explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash and restricted cash equivalents. ASU 2016-18 is effective for fiscal years beginning after December 15, 2017, and for interim periods within those fiscal years. The Company, as permitted, early adopted ASU 2016-18 in the fourth quarter of 2016. As a result of this adoption, cash flows resulting from changes in restricted cash balances, are no longer presented as a component of net cash provided by operating activities in the Company’s condensed consolidated statements of cash flows, but have been reclassified and combined within Increases/(Decreases) in Cash and Cash Equivalents and Restricted Cash. This reclassification was retrospectively applied to all periods presented within the condensed consolidated statements of cash flows.

In March 2016, the FASB issued ASU No. 2016-09, *Compensation - Stock Compensation: Improvements to Employee Share-Based Payment Accounting*. The new guidance is intended to simplify certain aspects of accounting for share based payments to employees, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. The Company elected to adopt this ASU in the first quarter of 2017 as required. The following summarizes the effects of the adoption on the Company's condensed consolidated financial statements:

- *Income taxes* - Upon adoption of this standard, all excess tax benefits and tax deficiencies (including tax benefits of dividends, if distributed, on share-based payment awards) are recognized as income tax expense or benefit in the statement of operations. The tax effects of exercised or vested awards are treated as discrete items in the reporting period in which they occur. As a result, the Company recognized discrete adjustments to income tax expense for the six months ended June 30, 2017 of less than $0.1 million related to excess tax benefits. The Company also recognizes excess tax benefits regardless of whether the benefit reduces taxes payable in the current period. The Company applied the prospective adoption approach for any unrecognized excess tax benefits beginning in 2017, which did not result in any cumulative-effect adjustment upon adoption. Prior periods have not been adjusted.

- *Forfeitures* - Prior to adoption, share-based compensation expense was recognized on a straight line basis, net of estimated forfeitures, such that expense was recognized only for share-based awards that were expected to vest. A forfeiture rate was estimated annually and revised, if necessary, in subsequent periods if actual forfeitures differed from initial estimates. Upon adoption, the Company no longer applies a forfeiture rate and instead accounts for forfeitures as they occur. The Company applied the modified retrospective adoption approach beginning in 2017 and booked an immaterial cumulative-effect adjustment to additional paid-in-capital and retained earnings within Shareholders' Equity. Prior periods have not been adjusted.

- *Statements of Cash Flows* - The Company historically accounted for excess tax benefits on the Statement of Cash Flows as a financing activity. Upon adoption of this standard, excess tax benefits are classified along with other income tax cash flows as an operating activity. The Company elected to adopt this portion of the standard on a prospective basis beginning in 2017. Prior periods have not been adjusted.

- *Earnings Per Share* - The Company uses the treasury stock method to compute diluted earnings per share, unless the effect would be anti-dilutive. Under this method, the Company is no longer required to estimate the tax rate and apply it to the dilutive share calculation for determining the dilutive earnings per share. The Company utilized the prospective adoption approach and applied this methodology beginning in 2017. Prior periods have not been adjusted.

Upon adoption, no other aspects of ASU 2016-09 had an effect on the Company's condensed consolidated financial statements or related footnote disclosures.

Recently Issued Accounting Standards

In February 2016, the FASB issued ASU 2016-02, Leases *(Topic 842)*. The guidance in ASU 2016-02 supersedes the lease recognition requirements in ASC Topic 840, *Leases (FAS 13)*. ASU 2016-02 requires an entity to recognize assets and liabilities arising from a lease for both financing and operating leases, along with additional qualitative and quantitative disclosures. ASU 2016-02 will be applied on a modified retrospective basis to each prior reporting period presented and is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. The Company is currently evaluating the effect this standard will have on its condensed consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09 ‘‘Revenue from Contracts with Customers,’’ to clarify the principles of recognizing revenue and create common revenue recognition guidance between US GAAP and International Financial Reporting Standards. In March 2016, the FASB issued ASU 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net). In April 2016, the FASB issued ASU 2016-10, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing. In May 2016, the FASB issued ASU 2016-12, Narrow-Scope Improvements and Practical Expedients. In December 2016, the FASB issued ASU 2016-20 Technical Corrections and Improvements to Topic 606, Revenue From Contracts with Customers. ASUs' 2016-20, 2016-12, 2016-10 and 2016-08 all clarify the interpretation guidance in ASU No. 2014-09, "Revenue from Contracts with Customers" specifically related to narrowing specific aspects of Topic 606 and adding illustrative examples to assist in the application of the guidance. The effective date and transition requirements in ASUs' 2016-20, 2016-12, 2016-10, and 2016-08 are the same as the effective date and transition requirements of ASU 2014-09. ASU 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date, deferred the original effective date of ASU 2014-09 by one year. The new standard allows for either a retrospective or modified retrospective approach to transition upon adoption. The new standard will be effective for annual reporting periods beginning after December 15, 2017. Early adoption is permitted for annual reporting periods beginning after December 15, 2016.

The Company continues to progress in its evaluation of potential impact of adopting this standard on its business policies, processes and systems, internal control over financial reporting environment, and financial reporting and disclosures. The Company expects that the majority of its contracts will have a single performance obligation and continues to assess the best measure of progress for recognition purposes. The Company will adopt ASU 2014-09 as well as the clarified guidance in ASUs' 2016-20, 2016-12, 2016-10, 2016-08, utilizing the modified retrospective approach, during the first quarter of 2018.

(2) Acquisition

In May 2017, the Company acquired out of bankruptcy NephroGenex, Inc. ("Nephrogenex" or the "Debtor"), a publicly-held pharmaceutical company that had previously filed for relief under Chapter 11 of the United States Bankruptcy Code. The Company, which was the largest unsecured creditor of Nephrogenex, entered into an agreement through the bankruptcy process, to exchange its unsecured claim for 100% of the common stock in the post-bankruptcy, debt free Debtor. The assets of the acquired Debtor consist primarily of tax attributes as well as in-process research and development and other intangible assets. An analysis by the Company determined that substantially all the fair value of the assets on the date of acquisition is captured in the tax attributes, as the intangible assets account for a relatively immaterial portion of the fair market value of the total assets received. The acquisition of the Debtor was accounted for as an asset purchase.

The Company allocated its consideration paid of $1.2 million, consisting of accounts receivable and unbilled receivables and transaction related costs, on a pro rata basis to the assets acquired based on their respective fair values. Acquired assets include intangible assets of $0.5 million, deferred tax assets of $22.2 million, consisting of tax effected net operating losses in the amount of $21.1 (partially offset with a $7.6 million valuation allowance), tax effected capitalized research and development expenses of $8.5 million and tax effected federal tax credits of $1.4 million (partially offset with a $1.2 million valuation allowance) and deferred tax liabilities of $0.1 million. The excess amount of fair value received over consideration paid of $21.4 million was recorded as a Deferred credit in the condensed consolidated balance sheets and will be recognized within Income tax provision in proportion to the realization of the deferred tax assets and federal tax credits prospectively.

(3) Net Income Per Share

Basic and diluted earnings or loss per share ("EPS") are computed using the two-class method, which is an earnings allocation that determines EPS for each class of common stock and participating securities according to dividends declared and participation rights in undistributed earnings. Restricted Stock Awards ("RSAs") are considered participating securities because they are legally issued at the date of grant and holders are entitled to receive non-forfeitable dividends during the vesting term.

The computation of diluted EPS includes additional common shares, such as unvested stock options with exercise prices less than the average market price of the Company's common stock during the period ("in-the-money options"), which would be considered outstanding under the treasury stock method. The treasury stock method assumes that additional shares would have to be issued in cases where the exercise price of stock options is less than the value of the common stock being acquired because the cash proceeds received from the stock option holder would not be sufficient to acquire that same number of shares. The Company does not compute diluted EPS in cases where the inclusion of such additional shares would be anti-dilutive in effect.

The following table sets forth the computation of basic and diluted earnings per share for the three and six months ended June 30, 2017 and 2016, (in thousands, except for earnings per share):

	Three Months Ended June 30,				Six Months Ended June 30,			
	2017		2016		2017		2016	
Weighted-average shares:								
Common shares outstanding		40,183		32,636		40,425		32,631
RSAs		59		-		59		-
Total weighted-average shares		40,242		32,636		40,484		32,631
Earnings per common share—Basic								
Net income	$	9,553	$	4,962	$	18,000	$	8,410
Less: Undistributed earnings allocated to RSAs		14		-		26		-
Net income available to common shareholders—Basic	$	9,539	$	4,962	$	17,974	$	8,410
Net income per common share—Basic	$	0.24	$	0.15	$	0.44	$	0.26
Basic weighted-average common shares outstanding		40,183		32,636		40,425		32,631
Effect of diluted shares		642		192		733		-
Diluted weighted-average shares outstanding		40,825		32,828		41,158		32,631
Net income per common share—Diluted	$	0.23	$	0.15	$	0.44	$	0.26

During the three months ended June 30, 2017, there were 15,030 shares excluded from the computation of EPS because they were anti-dilutive under the treasury method calculation of diluted weighted average shares outstanding. During the six months ended June 30, 2017 and 2016, respectively, there were 46,124 and 25,584 shares excluded from the computation of EPS because they were anti-dilutive under the treasury method calculation of diluted weighted average shares outstanding.

During the three months ended June 30, 2017, there were 697,850 stock options that were excluded from the computation of EPS due to the exercise price exceeding the average fair value of the Company's common stock during the period. During the six months ended June 30, 2017 and 2016, respectively, there were 27,500 and 186,667 stock options that were excluded from the computation of EPS due to the exercise price exceeding the average fair value of the Company's common stock during the period.

(4) Fair Value Measurements

The Company follows accounting guidance related to fair value measurements that defines fair value, establishes a framework for measuring fair value, and establishes a hierarchy for inputs used in measuring fair value. This hierarchy maximizes the use of "observable" inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. The hierarchy specifies three levels based on the inputs, as follows:

Level 1: Valuations based on quoted prices in active markets for identical assets or liabilities.

Level 2: Valuations based on directly observable inputs or unobservable inputs corroborated by market data.

Level 3: Valuations based on unobservable inputs supported by little or no market activity representing management's determination of assumptions of how market participants would price the assets or liabilities.

The fair value of financial instruments such as cash and cash equivalents, accounts receivable and unbilled, net, accounts payable, accrued expenses and advanced billings approximate their carrying amounts due to their short term maturities.

The Company does not have any recurring fair value measurements as of June 30, 2017. There were no transfers between Level 1, Level 2 or Level 3 during the three or six months ended June 30, 2017 and 2016.

(5) Accounts Receivable And Unbilled, Net

Accounts receivable and unbilled, net includes service revenue and reimbursed out-of-pocket revenue. Accounts receivable and unbilled, net consisted of the following (in thousands):

	As of	
	June 30, 2017	December 31, 2016
Accounts receivable	$ 50,606	$ 48,270
Unbilled	28,164	34,719
Less allowance for doubtful accounts	(2,106)	(3,222)
Total accounts receivable and unbilled, net	$ 76,664	$ 79,767

(6) Intangible Assets, Net

Intangible assets, net consisted of the following (in thousands):

	As of	
	June 30, 2017	December 31, 2016
Intangible assets:		
Finite-lived intangible assets:		
Carrying amount:		
Backlog	$ 72,630	$ 72,630
Customer relationships	145,051	145,051
Developed technologies	54,475	54,475
Other	3,020	2,505
Total finite-lived intangible assets	275,176	274,661
Accumulated amortization:		
Backlog	(72,630)	(72,630)
Customer relationships	(79,464)	(66,267)
Developed technologies	(35,409)	(29,961)
Other	(1,643)	(1,378)
Total accumulated amortization	(189,146)	(170,236)
Total finite-lived intangible assets, net	86,030	104,425
Trade name (indefinite-lived)	31,646	31,646
Total intangible assets, net	$ 117,676	$ 136,071

As of June 30, 2017, estimated amortization expense of the Company’s intangible assets for each of the next five years and thereafter is as follows (in thousands):

	Amortization
Remainder of 2017	$ 18,981
2018	29,543
2019	14,810
2020	7,869
2021	5,114
Later years	9,713
	$ 86,030

(7) Accrued Expenses

Accrued expenses consisted of the following (in thousands):

	As of June 30, 2017	As of December 31, 2016
Employee compensation and benefits	$ 13,191	$ 21,453
Other	3,201	2,964
Total accrued expenses	$ 16,392	$ 24,417

(8) Debt

Debt consisted of the following (in thousands):

	As of June 30, 2017	As of December 31, 2016
Term loan	$ 158,813	$ 165,000
Less unamortized discount	(466)	(534)
Less unamortized term loan debt issuance costs	(718)	(824)
Less current portion of long-term debt	(14,438)	(12,375)
Long-term debt, net, less current portion	$ 143,191	$ 151,267

Principal payments on debt are due as follows (in thousands):

2017 (remaining)	$ 6,188
2018	16,500
2019	16,500
2020	20,625
2021	99,000
Total	$ 158,813

The estimated fair value of the Company's term loan based on Level 2 inputs using the market approach, which is primarily based on rates at which the debt is traded among financial institutions, approximates the carrying value as of June 30, 2017 and December 31, 2016.

(9) Shareholder's Equity and Stock-Based Compensation

The Company granted 27,500 and 727,550 stock option awards, vesting after four years, to employees under the 2016 Incentive Award Plan, during the three and six months ended June 30, 2017. The Company granted an additional 41,346 stock option awards, vesting after one year, to non-employee directors under the 2016 Incentive Award Plan, during the three and six months ended June 30, 2017. The Company granted 34,812 stock options vesting equally over four years and 11,111 restricted awards, which immediately vested upon issuance, to employees under the 2014 Equity Incentive Plan during the six months ended June 30, 2016.

Award Activity

The following table sets forth the Company's stock option activity:

	Six Months Ended June 30, 2017	
	Stock Options	Weighted Average Exercise Price
Outstanding - beginning of period	2,350,166	$ 17.57
Granted	768,896	$ 28.35
Exercised	(72,579)	$ 15.24
Forfeited/Expired	(125,707)	$ 20.80
Outstanding - end of period	2,920,776	$ 20.32
Exercisable - end of period	859,212	$ 15.34

The following table sets forth the Company's Restricted Share activity:

	Six Months Ended June 30, 2017
	Shares
Outstanding and unvested - beginning of period	59,258
Granted	-
Vested	-
Forfeited	-
Outstanding and unvested - end of period	59,258
Cumulative vested shares - end of period	1,854,658

Stock-based compensation expense recognized in the condensed consolidated statements of operations related to all outstanding stock based compensation awards is summarized below (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Direct costs, excluding depreciation and amortization	$ 573	$ 1,911	$ 1,115	$ 2,474
Selling, general and administrative	627	1,355	1,119	1,801
Total stock-based compensation expense	$ 1,200	$ 3,266	$ 2,234	$ 4,275

(10) Income Taxes

The Company's effective income tax rate was 33.4% and 36.0% for the three and six months ended June 30, 2017, respectively. The Company's effective income tax rate was 39.4% and 40.6% for the three and six months ended June 30, 2016, respectively. The Company's effective income tax rate for the three and six months ended June 30, 2017 varied from the U.S. statutory rate of 35.0% primarily due to the impact of state taxes, domestic and foreign uncertain tax positions and the tax impact associated with acquired tax attributes.

The Company acquired deferred tax assets of $22.2 million, consisting of tax effected net operating losses in the amount of $21.1 (partially offset with a $7.6 million valuation allowance), tax effected capitalized research and development expenses of $8.5 million and tax effected federal tax credits of $1.4 million (partially offset with a $1.2 million valuation allowance) and deferred tax liabilities of $0.1 million. See Note 2 for further description of the asset acquisition that occurred in the second quarter of 2017.

(11) Commitments and Contingencies

Legal Proceedings

The Company is involved in legal proceedings from time to time in the ordinary course of its business, including employment claims and claims related to other business transactions. The Company cannot predict with certainty the outcome of such proceedings, but it believes that adequate reserves have been recorded and losses already recognized with respect to such actions were immaterial as of

June 30, 2017 and December 31, 2016. There is a reasonable possibility that a loss exceeding amounts already recognized may be incurred related to these actions; however, the Company believes that such potential losses were immaterial as of June 30, 2017.

(12) Related Party Transactions

Employee Loans

The Company periodically extends short term loans or advances to employees, typically upon commencement of employment. Total receivables as a result of these employee advances of $0.2 million existed at June 30, 2017 and December 31, 2016, respectively, and are included in the Prepaid expenses and other current assets and Other assets line items of the condensed consolidated balance sheets, respectively, depending on the contractual repayment date.

Management Fees

In conjunction with the IPO, the Advisory Services Agreement with Cinven Capital Management (V) General Partner Limited ("Cinven") expired. Subsequent to the IPO, the Company pays fees for director services provided by Cinven employees that are members of the Company's Board of Directors and any related committees. The director fees are paid directly to Cinven in accordance with the Company's non-employee director compensation policy. During the three and six months ended June 30, 2016, the Company incurred management fees to Cinven of $0.1 million and $0.2 million, respectively, in the Company's condensed consolidated statements of operations.

Service Agreements

Symplmed Pharmaceuticals, LLC ("Symplmed")

Medpace Investors LLC, a noncontrolling shareholder of the Company that is owned by employees of the Company and managed by the Company's chief executive officer, has a majority ownership interest in Symplmed, a private pharmaceutical development company. In addition, the chief executive officer and other executives of the Company are board members of Symplmed. The Company has operated under a Master Services Agreement ("MSA") with Symplmed since 2013 (amended in 2014) to perform clinical trial related services. Certain task orders governed by this arrangement were amended in the third quarter of 2016, changing the fee structure from unitized in nature to time and materials and revised pricing to more appropriately reflect market pricing based on the Company's leveraging of this work to develop and enhance certain new service capabilities. The Company has evaluated its relationship with Symplmed and concluded that Symplmed is not a variable interest entity because the Company has no direct ownership interest or relationship other than the MSA. During the three months ended June 30, 2017 and 2016, the Company recognized service revenue from Symplmed of less than $0.1 million and $0.1 million, respectively, and during the six months ended June 30, 2017 and 2016, the Company recognized service revenue from Symplmed of less than $0.1 million and $0.4 million, respectively, in the Company's condensed consolidated statements of operations.

Coherus BioSciences, Inc. ("Coherus")

The chief executive officer of the Company is a member of Coherus's board of directors. During the three months ended June 30, 2017 and 2016, the Company recognized service revenue from Coherus of $1.8 million and $4.3 million, respectively, and during the six months ended June 30, 2017 and 2016, the Company recognized service revenue from Coherus of $5.1 million and $11.4 million, respectively, in the Company's condensed consolidated statements of operations. In addition, the company recognized Reimbursed out-of-pocket revenue and Reimbursed out-of-pocket expenses with Coherus in the condensed consolidated statements of operations of $0.4 million and $1.6 million during the three months ended June 30, 2017 and 2016, respectively, and $1.0 million and $2.9 million during the six months ended June 30, 2017 and 2016. As of June 30, 2017 and December 31, 2016, respectively, the Company had Accounts receivable and unbilled, net from Coherus of $0.6 million and $2.0 million recorded in the condensed consolidated balance sheets. As of June 30, 2017 and December 31, 2016, respectively, the Company had, from Coherus, $3.7 million and $6.3 million of Advanced billings and $1.4 million and $3.8 million of Pre-funded study costs, in the condensed consolidated balance sheets.

Xenon Pharmaceuticals, Inc. ("Xenon")

Certain executives and employees of the Company, including the chief executive officer, have held equity investments in Xenon, a clinical-stage biopharmaceutical company. During the second quarter of 2017, the chief executive officer sold his entire equity position held in Xenon. During July 2015 the Company and Xenon entered into an amended MSA agreement for the Company to provide clinical trial related services. The Company recognized service revenue from Xenon of $0.1 million and $0.1 million during the three months ended June 30, 2017 and 2016, respectively, and service revenue from Xenon of $0.6 million and $0.4 million during the six months ended June 30, 2017 and 2016, respectively, in the Company's condensed consolidated statements of operations. As of June 30, 2017 and December 31, 2016, respectively, the Company had Accounts receivable and unbilled, net from Xenon of less than $0.1 million and $0.3 million recorded in the condensed consolidated balance sheets. As of June 30, 2017 and December 31, 2016, respectively, the Company had, from Xenon, \$0.4 million and \$1.3 million of Advanced billings and \$0.1 million and \$0.1 million of Pre-funded study costs, in the condensed consolidated balance sheets.

Cymabay Therapeutics, Inc. ("Cymabay")

Cymabay is a clinical-stage biopharmaceutical company developing therapies to treat metabolic diseases with high unmet medical need, including serious rare and orphan disorders. During the first quarter of 2016, it was announced that a Medpace employee would join Cymabay's board of directors. The Company and Cymabay entered into a MSA dated October 21, 2016. Subsequently, the Company and Cymabay have entered into several task orders for the Company to perform clinical trial related services. During the three months ended June 30, 2017 and 2016, the Company recognized service revenue from Cymabay of \$0.2 million and \$0.1 million, respectively, and during the six months ended June 30, 2017 and 2016, the Company recognized service revenue from Cymabay of \$0.3 million and \$0.2 million, respectively, in the Company's condensed consolidated statements of operations. As of June 30, 2017 and December 31, 2016, respectively, the Company had Accounts receivable and unbilled, net from Cymabay of \$0.1 million and less than \$0.1 million recorded in the condensed consolidated balance sheets.

LIB Therapeutics LLC ("LIB")

Certain executives and employees of the Company, including the chief executive officer, are members of LIB's board of managers. The Company entered into a MSA dated November 24, 2015 with LIB, a company that engages in research, development, marketing and commercialization of pharmaceutical drugs. Subsequently, the Company and LIB have entered into several task orders for the Company to perform clinical trial related services. During the three months ended June 30, 2017 and 2016, the Company recognized service revenue from LIB of \$0.5 million and less than \$0.1 million, respectively, and during the six months ended June 30, 2017 and 2016, the Company recognized service revenue from LIB of \$0.6 million and less than \$0.1 million, respectively, in the Company's condensed consolidated statements of operations. As of June 30, 2017 and December 31, 2016, respectively, the Company had Accounts receivable and unbilled, net from LIB of \$0.3 million and less than \$0.1 million recorded in the condensed consolidated balance sheets.

CinRX Pharma, LLC ("CinRX")

Certain executives and employees of the Company, including the chief executive officer, are members of CinRX's board of managers and/or have equity investments in CinRX, a biotech company. The Company and CinRX have entered into several task orders for the Company to perform clinical trial related services. During the three and six months ended June 30, 2017, the Company recognized service revenue from CinRX of \$0.2 million, respectively, in the Company's condensed consolidated statements of operations.

Medpace Investors, LLC

Medpace Investors is a noncontrolling shareholder and related party of Medpace Holdings, Inc. Medpace Investors is owned and managed by employees of the Company. The chief executive officer of Medpace is also the manager and majority unit holder of Medpace Investors. The Company acted as a paying agent for Medpace Investors with taxing authorities principally in instances when employee tax payments or remittance of withholdings related to equity compensation are required. During the three and six months ended June 30, 2016, the Company paid \$0.2 million and \$0.8 million to various taxing authorities on behalf of Medpace Investors.

Purchase of Real Estate Properties

In December 2016, the Company entered into a purchase agreement for four parcels of real estate property that are closely situated to the Medpace campus in Cincinnati, Ohio, from AT Redevelopment Company, LLC, which is wholly-owned by the Company's chief executive officer. The purchase price of the real estate property was \$0.4 million as determined by an independent third party broker's opinion of value. The transaction closed on January 11, 2017.

Leased Real Estate

Headquarters Lease

The Company entered into an operating lease for its corporate headquarters with an entity that is wholly owned by the chief executive officer of the Company. The Company has evaluated its relationship with the related party and concluded that the related party is not a variable interest entity because the Company has no direct ownership interest or relationship other than the lease. The lease for headquarters is for an initial term of twelve years through November 2022 with a renewal option for one 10-year term at prevailing market rates. The Company pays rent, taxes, insurance, and maintenance expenses that arise from the use of the property. Annual base rent for the corporate headquarters allows for adjustments to the rental rate annually for increases in the consumer price index. Lease expense recognized for each of the three months ended June 30, 2017 and 2016 was \$0.6 million, respectively, and lease expense recognized for each of the six months ended June 30, 2017 and 2016 was \$1.1 million, respectively. The lease expense was allocated between Direct costs, excluding depreciation and amortization, and Selling, general and administrative in the condensed consolidated statements of operations.

Deemed Assets and Deemed Landlord Liabilities

The Company entered into two multi-year lease agreements governing the occupancy of space of two buildings in Cincinnati, Ohio with an entity that is wholly owned by the Company's chief executive officer and certain members of his immediate family. In accordance with the accounting guidance related to leases, the Company was deemed in substance to be the owner of the property during the construction phase and at completion. Accordingly, the Company reflected the buildings and related liabilities as deemed assets from landlord building construction in Property and equipment, net, Other current liabilities, and Deemed landlord liability, less current portion, respectively, on the condensed consolidated balance sheets. The Company assumed occupancy in 2012 and the leases expire in 2027 with the Company having one 10-year option to extend the lease term. The deemed assets are being fully depreciated, on a straight line basis, over the 15-year term of the lease. Deemed landlord liabilities are recorded at their net present value when the Company enters into qualifying leases and are reduced as the Company makes periodic lease payments on the properties. Accretion expense is being recorded over the term of the lease as a component of Interest expense, net in the Company's condensed consolidated statements of operations. The Company paid $1.0 million during the three months ended June 30, 2017 and 2016, respectively, and $1.9 million during the six months ended June 30, 2017 and 2016. The current and long-term portions of the Deemed landlord liability at June 30, 2017 were $1.8 million and $27.6 million, respectively. The current and long-term portions of the Deemed landlord liability at December 31, 2016 were $1.7 million and $28.5 million, respectively. The Company has recognized deemed assets, net of $17.2 million and $18.1 million at June 30, 2017 and December 31, 2016, respectively, in the condensed consolidated balance sheets.

Travel Services

The Company incurs expenses for travel services for company executives provided by a private aviation charter company that is owned by the chief executive officer and the executive vice president of operations of the Company ("private aviation charter"). The Company may contract directly with the private aviation charter for the use of its aircraft or indirectly through a third party aircraft management and jet charter company (the "Aircraft Management Company"). The travel services provided are primarily for business purposes, with certain personal travel paid for as part of the executives' compensation arrangements. The Aircraft Management Company also makes the private aviation charter aircraft available to third parties. The Company incurred travel expenses of $0.3 million and $0.2 million during the three months ended June 30, 2017 and 2016, respectively, and $0.6 million and $0.5 during the six months ended June 30, 2017 and 2016, respectively, related to these travel services. These travel expenses are recorded in Selling, general and administrative in the Company's condensed consolidated statements of operations.

(13) Cash Flow Statement- Supplemental Information

During the six months ended June 30, 2017, the Company engaged in the following significant non-cash investing and financing activities:

- Acquired net assets totaling $0.7 million consisting of net Deferred tax assets of $22.2 million, offset by net Deferred tax liabilities of $0.1 million and Deferred credits of $21.4 million in exchange for Accounts receivable and unbilled, net of $0.6 million and Other assets of $0.1 million.

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

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our condensed consolidated financial statements and the notes thereto included elsewhere in this Quarterly Report on Form 10-Q, 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, 2016 and with the information under the heading "Management Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016. This item and the related discussion contain forward-looking statements reflecting current expectations that involve risks and uncertainties. Actual results and the timing of events may differ materially from those indicated in such forward-looking statements. Important factors that may cause such differences include, but are not limited to, those discussed under the "Forward-Looking Statements" below and "Risk Factors" in "Item 1A Risk Factors" of Part I of our Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical facts contained herein, including statements regarding our future results of operations and financial position, business strategy, product approvals and plans and our objectives for future operations, are forward looking statements. The words "believe," "may", "might", "will", "estimate", "continue", "anticipate", "intend", "seek", "plan", "should", "expect" and similar expressions are intended to identify forward looking statements. Forward looking statements are based largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. These forward looking statements are subject to inherent uncertainties, risks, changes in circumstances and other important factors that are difficult to predict. Moreover, we operate in a very competitive and rapidly changing environment in which new risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all important factors on our business or the extent to which any factor, or combination of such factors, may cause actual results to differ materially from those contained in any forward looking statements we may make. In light of these risks, uncertainties and assumptions, the forward looking events and circumstances discussed may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward looking statements. We caution you therefore against relying on these forward looking statements.

We qualify all of our forward-looking statements by these cautionary statements. Except as required by applicable law, we do not plan to publicly update or revise any forward-looking statements contained herein, whether as a result of any new information, future events, changed circumstances or otherwise. For a further discussion of the risks relating to our business, see "Item 1A Risk Factors" of Part I of our Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

Business Overview

We are one of the world's leading clinical contract research organizations, or CROs, by revenue, solely focused on providing scientifically-driven outsourced clinical development services to the biotechnology, pharmaceutical and medical device industries. Our mission is to accelerate the global development of safe and effective medical therapeutics. We differentiate ourselves from our competitors by our disciplined operating model centered on providing full-service Phase I-IV clinical development services and our therapeutic expertise. We believe this combination results in timely and cost-effective delivery of clinical development services for our customers. We believe that we are a partner of choice for small- and mid-sized biopharmaceutical companies based on our ability to consistently utilize our full-service, disciplined operating model to deliver timely and high-quality results for our customers.

We focus on conducting clinical trials across all major therapeutic areas, with particular strength in Cardiology, Metabolic Disease, Oncology, Endocrinology, Central Nervous System ("CNS"), Antiviral and Anti-infective ("AVAI"), as well as therapeutic expertise in Medical Devices. Our global platform includes approximately 2,500 employees across 35 countries, providing our customers with broad access to diverse markets and patient populations as well as local regulatory expertise and market knowledge.

Asset Acquisition

In May 2017, the Company acquired out of bankruptcy NephroGenex, Inc. ("Nephrogenex" or the "Debtor"), a publicly-held pharmaceutical company that had previously filed for relief under Chapter 11 of the United States Bankruptcy Code. The Company, which was the largest unsecured creditor of Nephrogenex, entered into an agreement through the bankruptcy process, to exchange its unsecured claim for 100% of the common stock in the post-bankruptcy, debt free Debtor. The assets of the acquired Debtor consist primarily of tax attributes as well as in-process research and development and other intangible assets. An analysis by the Company determined that substantially all the fair value of the assets on the date of acquisition is captured in the tax attributes, as the intangible assets account for a relatively immaterial portion of the fair market value of the total assets received. The acquisition of the Debtor was accounted for as an asset purchase.

The Company allocated its consideration paid of $1.2 million, consisting of accounts receivable and unbilled receivables and transaction related costs, on a pro rata basis to the assets acquired based on their respective fair values. Acquired assets include intangible assets of $0.5 million, deferred tax assets of $22.2 million, consisting of tax effected net operating losses in the amount of $21.1 (partially offset with a $7.6 million valuation allowance), tax effected capitalized research and development expenses of $8.5 million and tax effected federal tax credits of $1.4 million (partially offset with a $1.2 million valuation allowance) and deferred tax liabilities of $0.1 million. The excess amount of fair value received over consideration paid of $21.4 million was recorded as a Deferred credit in the condensed consolidated balance sheets and will be recognized within Income tax provision in proportion to the realization of the deferred tax assets and federal tax credits prospectively.

How We Generate Revenue

Our revenue consists of net service revenue and reimbursed-out-of-pocket revenue.

Net Service Revenue

We earn customer fees through the performance of services detailed in our customer contracts. Contract scope and pricing is typically based on either a fixed-fee or unit-of-service model and our contracts can range in duration from a few months to several years. These contracts are individually priced and negotiated based on the anticipated project scope, including the complexity of the project and the performance risks inherent in the project. The majority of our contracts are structured with an upfront fee that is collected at the time of contract signing, and the balance of the fee is collected over the duration of the contract either through an arranged billing schedule or upon completion of certain performance targets or defined milestones. This payment structure is standard in the CRO industry.

Net service revenue, which is distinct from billing and cash receipt, is generally recognized based on the proportional performance methodology, which is determined by assessing the proportion of performance completed or delivered to date compared to total specific measures to be delivered or completed under the terms of the contract. The measures utilized to assess performance are specific to the service provided. Net service revenue for unit-of-service contracts is recognized as services are performed or delivered. Cancellation provisions in our contracts allow our customers to terminate a contract either immediately or according to advance notice terms specified within the applicable contract, which is typically 30 days. Contract cancellation may occur for various reasons, including, but not limited to, adverse patient reactions, lack of efficacy, or inadequate patient enrollment. Upon cancellation, we are entitled to fees for services rendered through the date of termination, including payment for subsequent services necessary to conclude the study or close out the contract. These fees are typically subject to negotiation and are realized as net service revenue when collection is reasonably assured. Changes in net service revenue from period to period are driven primarily by new business volume and task order execution activity, project cancellations, and the mix of active studies during a given period that can vary based on therapeutic and or study life cycle stage.

Reimbursed Out-of-Pocket Revenue

Reimbursed out-of-pocket revenue consists primarily of expenses we incur in relation to projects that are reimbursed by our customers with no profit or mark-up. These expenses are defined in our contracts and generally include, but are not limited to, travel, meetings, printing, and shipping and handling fees. Such reimbursements received are included in revenue with the expenditures reflected as a separate component of operating expense. Certain fees paid to investigators and other disbursements in which we act as an agent on behalf of the study sponsor are reflected in the condensed consolidated statements of operations with no resulting effect on our revenue or expenses.

Costs and Expenses

Our costs and expenses are comprised primarily of our direct costs, selling, general and administrative costs, depreciation and amortization and income taxes. In addition, as noted above, we also have reimbursed out-of-pocket expenditures that are directly offset by our reimbursed out-of-pocket revenue.

Direct Costs, Excluding Depreciation and Amortization

Direct costs, excluding depreciation and amortization, are primarily driven by labor and related employee benefits, but also include laboratory supplies and other expenses contributing to service delivery. The other costs of service delivery can include office rent, utilities, supplies and software license expenses, which are allocated between direct costs, excluding depreciation and amortization and selling, general and administrative expenses based on the estimated contribution among service delivery and support function efforts on a percentage basis. Direct costs, excluding depreciation and amortization exclude reimbursed out-of-pocket expenses. Direct costs, excluding depreciation and amortization are expensed as incurred and are not deferred in anticipation of contracts being awarded or finalization of changes in scope. Direct costs, excluding depreciation and amortization as a percentage of net service revenue can vary from period to period due to project labor efficiencies, changes in workforce, compensation/bonus programs and service mix.

Selling, General and Administrative

Selling, general and administrative expenses are primarily driven by compensation and related employee benefits, as well as rent, utilities, supplies, software licenses, professional fees (e.g., legal and accounting expenses), travel, marketing and other operating expenses.

Depreciation

Depreciation is provided on our property and equipment on the straight-line method at rates adequate to allocate the cost of the applicable assets over their estimated useful lives, which is three to five years for computer hardware, software, phone, and medical imaging equipment, five to seven years for furniture and fixtures and other equipment, and thirty to forty years for buildings. Leasehold improvements and deemed assets from landlord building construction are amortized on a straight-line basis over the shorter of the estimated useful life of the improvement or the associated remaining lease term.

Amortization

Amortization relates to finite-lived intangible assets recognized as expense using the straight-line method or using an accelerated method over their estimated useful lives, which range in term from 17 months to 15 years.

Income Tax Provision

Income tax provision consists of federal, state and local taxes on income in multiple jurisdictions. Our income tax is impacted by the pre-tax earnings in jurisdictions with varying tax rates and any related tax credits that may be available to us. Our current and future provision for income taxes will vary from statutory rates due to the impact of valuation allowances in certain countries, income tax incentives, certain non-deductible expenses, and other discrete items.

Key Performance Metrics

To evaluate the performance of our business, we utilize a variety of financial and performance metrics. These key measures include new business awards, cancellations and backlog.

New Business Awards, Cancellations and Backlog

New business awards represent the value of anticipated future net service revenue that has been awarded during the period that is recognized in backlog. This value is recognized upon the signing of a contract or receipt of a written pre-contract confirmation from a customer that confirms an agreement in principle on budget and scope. New business awards also include contract amendments, or changes in scope, where the customer has provided written authorization for changes in budget and scope or has approved us to perform additional work as of the measurement date. Awards may not be recognized as backlog after consideration of a number of factors, including whether (i) the relevant net service revenue is expected only after a pending regulatory hurdle, which might result in cancellation of the study, (ii) the customer funding needed for commencement of the study is not believed to have been secured or (iii) study timelines are uncertain or not well defined. In addition, study amounts that extend beyond a three-year timeline are not included in backlog. The number and amount of new business awards can vary significantly from period to period, and an award's contractual duration can range from several months to several years based on customer and project specifications.

Cancellations arise in the normal course of business and are reflected when we receive written confirmation from the customer to cease work on a contractual agreement. The majority of our customers can terminate our contracts without cause upon 30 days' notice. Similar to new business awards, the number and amount of cancellations can vary significantly period over period due to timing of customer correspondence and study-specific circumstances. Total cancellations in a period are offset against gross new business awards received in a period to determine net new business awards in our backlog calculation. Net new business awards were $105.3 million and $111.7 million for the three months ended June 30, 2017 and 2016, respectively, and net new business awards were $199.2 million and $218.1 million for the six months ended June 30, 2017 and 2016, respectively.

Backlog represents anticipated future net service revenue from net new business awards that have not commenced or are currently in process but not complete. Reported backlog will fluctuate based on new business awards, changes in the scope of existing contracts, cancellations, revenue recognition on existing contracts and foreign exchange adjustments from non-U.S. dollar denominated backlog. As of June 30, 2017, our backlog increased by $30.2 million, or 6.5%, to $495.9 million compared to $465.7 million as of June 30, 2016. Included within backlog as of June 30, 2017 was approximately $265 million to $275 million that we expect to convert to net service revenue over the next twelve months, with the remainder expected to convert to net service revenue thereafter.

The effect of foreign currency adjustments on backlog was as follows: favorable foreign currency adjustments of $1.3 million for the three months ended June 30, 2017; favorable foreign currency adjustments of $1.1 million for the six months ended June 30, 2017; unfavorable foreign currency adjustments of $1.4 million for the three months ended June 30, 2016; and unfavorable foreign currency adjustments of $1.4 million for the six months ended June 30, 2016.

Backlog and net new business award metrics may not be reliable indicators of our future period revenue as they are subject to a variety of factors that may cause material fluctuations from period to period. These factors include, but are not limited to, changes in the scope of projects, cancellations, and duration and timing of services provided.

Exchange Rate Fluctuations

The majority of our contracts and operational transactions are U.S. dollar denominated. The Euro represents the largest foreign currency denomination of our contractual and operational exposure. As a result, a portion of our revenue and expenses are subject to exchange rate fluctuations. We have translated the Euro into U.S. dollars using the following average exchange rates based on data obtained from www.xe.com:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
U.S. Dollars per Euro:	1.10	1.12	1.08	1.11

Results of Operations

Three Months Ended June 30, 2017 compared to Three Months Ended June 30, 2016

	Three Months Ended June 30,			
(Amounts in thousands, except percentages)	2017	2016	Change	% Change
Service revenue, net	$ 94,552	$ 92,633	$ 1,919	2.1%
Reimbursed out-of-pocket revenue	11,664	13,321	(1,657)	(12.4)%
Total revenue	106,216	105,954	262	0.2%
Direct costs, excluding depreciation and amortization	51,955	49,234	2,721	5.5%
Reimbursed out-of-pocket expenses	11,664	13,321	(1,657)	(12.4)%
Selling, general and administrative	14,755	14,824	(69)	(0.5)%
Depreciation	2,101	1,793	308	17.2%
Amortization	9,462	12,668	(3,206)	(25.3)%
Total operating expenses	89,937	91,840	(1,903)	(2.1)%
Income from operations	16,279	14,114	2,165	
Miscellaneous expense, net	(125)	(6)	(119)	
Interest expense, net	(1,808)	(5,921)	4,113	
Income before income taxes	14,346	8,187	6,159	
Income tax provision	4,793	3,225	1,568	
Net income	$ 9,553	$ 4,962	$ 4,591	

Six Months Ended June 30, 2017 compared to Six Months Ended June 30, 2016

	Six Months Ended June 30,			
(Amounts in thousands, except percentages)	2017	2016	Change	% Change
Service revenue, net	$ 188,333	$ 180,433	$ 7,900	4.4%
Reimbursed out-of-pocket revenue	24,494	$ 25,107	(613)	(2.4)%
Total revenue	212,827	205,540	7,287	3.5%
Direct costs, excluding depreciation and amortization	103,060	96,215	6,845	7.1%
Reimbursed out-of-pocket expenses	24,494	25,107	(613)	(2.4)%
Selling, general and administrative	29,909	28,333	1,576	5.6%
Depreciation	4,231	3,566	665	18.6%
Amortization	18,910	25,336	(6,426)	(25.4)%
Total operating expenses	180,604	178,557	2,047	1.1%
Income from operations	32,223	26,983	5,240	
Miscellaneous expense, net	(497)	(941)	444	
Interest expense, net	(3,602)	(11,894)	8,292	
Income before income taxes	28,124	14,148	13,976	
Income tax provision	10,124	5,738	4,386	
Net income	$ 18,000	$ 8,410	$ 9,590	

Service revenue, net and Reimbursed out-of-pocket revenue

For the three months ended June 30, 2017 service revenue, net increased by $1.9 million to $94.6 million, from $92.6 million for the three months ended June 30, 2016. For the six months ended June 30, 2017 service revenue, net increased by $7.9 million to $188.3 million, from $180.4 million. The increase for the three and six months ended June 30, 2017, compared to the same periods in the prior year, were primarily driven by growth within the Oncology and other uncategorized therapeutic areas.

Reimbursed out-of-pocket revenue decreased by $1.7 million to $11.7 million for the three months ended June 30, 2017, from $13.3 million for the three months ended June 30, 2016. Reimbursed out-of-pocket revenue decreased by $0.6 million to $24.5 million for the six months ended June 30, 2017, from $25.1 million for the six months ended June 30, 2016. Reimbursed out-of-pocket revenues can fluctuate significantly from period to period based on the timing of program initiation or closeout, and these changes do not necessarily correlate to changes in net service revenue. The reimbursements were offset by an equal amount of reimbursed out-of-pocket expenses.

Direct costs, excluding depreciation and amortization and Reimbursed out-of-pocket expenses

Our direct costs, excluding depreciation and amortization increased by $2.7 million, to $52.0 million for the three months ended June 30, 2017 from $49.2 million for the three months ended June 30, 2016. Our direct costs, excluding depreciation and amortization increased by $6.8 million, to $103.1 million for the six months ended June 30, 2017 from $96.2 million for the six months ended June 30, 2016. The increase was primarily attributed to increases in employee related costs for additional personnel, lab related costs and office rent to support the growth in service activities. The employee related costs portion of direct costs, excluding depreciation and amortization increased by $1.7 million and $5.4 million for the three and six months ended June 30, 2017, compared to the same period in the prior year. Lab related costs increased by $0.5 million for the three months ended June 30, 2017 and remained relatively consistent for the six months ended June 30, 2017, compared to the same periods in the prior year. Office rent costs increased by $0.2 and $0.5 million for the three and six months ended June 30, 2017, compared to the same periods in the prior year.

Selling, general and administrative

Selling, general and administrative expenses decreased by $0.1 million, to $14.8 million for the three months ended June 30, 2017 from $14.8 million for the three months ended June 30, 2016. Selling, general and administrative expenses increased by $1.6 million, to $29.9 million for the six months ended June 30, 2017 from $28.3 million for the six months ended June 30, 2016. This decrease for the three months ended June 30, 2017 was primarily driven by a reduction in bad debt expense of $1.2 million due primarily to net bad debt recoveries for the three months ended June 30, 2017, compared to bad debt expense in the same period in the prior year. This was partially offset by an increase in employee related costs for additional personnel of $0.8 million for the three months ended June 30, 2017, compared to the same period in the prior year. This increase for the six months ended June 30, 2017 was primarily driven by an increase in employee related costs for additional personnel of $2.5 million, compared to the same period in the prior year. This was offset by a reduction in bad debt expense of $1.3 million due primarily to net bad debt recoveries for the six months ended June 30, 2017, compared to bad debt expense in the same period in the prior year.

Depreciation and Amortization

Depreciation and amortization expense decreased by $2.9 million, to $11.6 million for the three months ended June 30, 2017 from $14.5 million for the three months ended June 30, 2016. Depreciation and amortization expense decreased by $5.8 million, to $23.1 million for the six months ended June 30, 2017 from $28.9 million for the six months ended June 30, 2016. The decrease in depreciation and amortization were primarily related to the continued amortization of our definite lived intangible assets, which are amortized on an accelerated basis.

Miscellaneous expense, net

Miscellaneous expense, net increased by $0.1 million to $0.1 million of expense for the three months ended June 30, 2017 from $0.0 million of expense for the three months ended June 30, 2016. Miscellaneous expense, net decreased by $0.4 million to $0.5 million of expense for the six months ended June 30, 2017 from $0.9 million of expense for the six months ended June 30, 2016. The change for the six months ended June 30, 2017 was mainly attributable to foreign exchange gains or losses that arise in connection with the revaluation of short-term intercompany balances between our domestic and international subsidiaries, gains or losses from foreign currency transactions, such as those resulting from the settlement of third-party accounts receivables and payables denominated in a currency other than the local currency of the entity making the payment and exit costs related to the previous headquarter lease.

Interest expense, net

Interest expense, net decreased by $4.1 million to $1.8 million for the three months ended June 30, 2017 from $5.9 million for the three months ended June 30, 2016. Interest expense, net decreased by $8.3 million to $3.6 million for the six months ended June 30, 2017 from $11.9 million for the six months ended June 30, 2016. The decrease in interest expense, net was related to the average lower outstanding balance under our Senior Secured Term Loan Facility (as defined below), as well as a lower effective interest rate as a result of the new credit agreement entered into in December 2016 (as described below).

Income tax provision

Income tax provision increased by $1.6 million, to $4.8 million for the three months ended June 30, 2017 from $3.2 million for the three months ended June 30, 2016. Income tax provision increased by $4.4 million, to $10.1 million for the six months ended June 30, 2017 from $5.7 million for the six months ended June 30, 2016. The overall effective tax rate for the three months ended June 30, 2017 was 33.4%, compared to an overall effective tax rate of 39.4% for the three months ended June 30, 2016. The overall effective tax rate for the six months ended June 30, 2017 was 36.0%, compared to an overall effective tax rate of 40.6% for the six months ended June 30, 2016. The change in effective tax rates and the increase in income tax provision was primarily due to the increases in projected pre-tax book income for the three and six months ended June 30, 2017 partially offset with a favorable impact associated with domestic uncertain tax positions and the favorable tax impact associated with acquired tax attributes.

Liquidity and Capital Resources

We assess our liquidity in terms of our ability to generate cash to fund our operating, investing and financing activities. Our principal sources of liquidity are operating cash flows and funds available for borrowing under our Senior Secured Revolving Credit Facility (as defined below). As of June 30, 2017, we had cash and cash equivalents of $29.3 million, including approximately $0.3 million of restricted cash, primarily related to advanced payments received pursuant to certain sponsor contracts. Approximately $9.3 million of cash and cash equivalents, none of which was restricted, was held by our foreign subsidiaries as of June 30, 2017. On December 8, 2016, the Company entered into a credit agreement (the "Senior Secured Credit Agreement") consisting of a $165.0 million term loan (the "Senior Secured Term Loan Facility") and a $150.0 million revolving credit facility (the "Senior Secured Revolving Credit Facility" and, together with the Senior Secured Term Loan Facility, the "Senior Secured Credit Facilities"). As of June 30, 2017, we had $149.8 million available for borrowing under our Senior Secured Revolving Credit Facility. Our expected primary cash needs on both a short and long-term basis are for investment in operational growth, capital expenditures, payment of debt, share repurchases, selective strategic bolt-on acquisitions, other investments, and other general corporate needs for the next 12 months and on a longer-term basis. We have historically funded our operations and growth with cash flow from operations and borrowings under our credit facilities. We expect to continue expanding our operations through organic growth and potentially highly selective bolt-on acquisitions and investments. We expect these activities will be funded from existing cash, cash flow from operations and, if necessary, borrowings under our existing or future credit facilities. We have deemed that foreign earnings will be indefinitely reinvested and therefore we have not provided taxes on these earnings. While we do not anticipate the need to repatriate these foreign earnings for liquidity purposes given our cash flows from operations and available borrowings under existing and future credit facilities, we would incur taxes on these earnings if the need for repatriation due to liquidity purposes arises. We believe that our sources of liquidity and capital will be sufficient to finance our cash needs for the next 12 months and on a longer-term basis. However, we cannot assure you that our business will generate sufficient cash flow from operations, or that future borrowings will be available to us under our Senior Secured Credit Facilities or otherwise, in an amount sufficient to fund our liquidity needs. If our cash flows and capital resources are insufficient to service our indebtedness, we may be forced to reduce or delay capital expenditures, sell assets, seek additional capital or restructure or refinance our indebtedness. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations. Our ability to restructure or refinance our debt will depend on the condition of the capital markets and our financial condition at such time. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. In addition, the terms of existing or future debt agreements may restrict us from adopting some of these alternatives. In the absence of such operating results and resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. We may not be able to consummate those dispositions for fair market value or at all, and any proceeds that we could realize from any such dispositions may not be adequate to meet our debt service obligations then due. See "Risk Factors—Risks Relating to our Indebtedness—We may not be able to generate sufficient cash to service all of our indebtedness, and may be forced to take other actions to satisfy our obligations under our indebtedness that may not be successful" in Item 1A of Part I of the 2016 Annual Report on Form 10-K.

Cash Flows (Amounts in thousands)	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Net cash provided by operating activities	$ 29,733	$ 20,491
Net cash used in investing activities	(6,505)	(5,653)
Net cash used in financing activities	(32,450)	(15,678)
Effect of exchange rates on cash, cash equivalents and restricted cash	1,145	143
Decrease in cash, cash equivalents and restricted cash	$ (8,077)	$ (697)

Cash Flow from Operating Activities

Cash flows from operations are driven mainly by net income and net movement in accounts receivable and unbilled, net, advanced billings, pre-funded liabilities, accounts payable, accrued expenses, deferred taxes and deferred credits. Accounts receivable and unbilled, net, advanced billings and pre-funded liabilities fluctuate on a regular basis as we perform our services, bill our customers and ultimately collect on those receivables. We attempt to negotiate payment terms in order to provide for payments prior to or soon after the provision of services, but this timing of collection can vary significantly on a period by period comparative basis.

Net cash flows provided by operating activities was $29.7 million for the six months ended June 30, 2017 beginning with net income of $18.0 million. Adjustments to reconcile net income to net cash provided by operating activities were $24.1 million, primarily related to amortization of intangibles of $18.9 million, depreciation of $4.2 million and stock based compensation expense of $2.2

million, offset by $0.9 million of benefit from deferred taxes. Changes in operating assets and liabilities used $12.4 million in operating cash flows and was primarily driven by decreased accrued expenses of $8.4 million, decreased accounts payable of $2.9 million and decreased pre-funded study costs of $3.5 million offset by decreased accounts receivable and unbilled, net of $3.4 million.

Net cash flows provided by operating activities was $20.5 million for the six months ended June 30, 2016 beginning with net income of $8.4 million. Adjustments to reconcile net income to net cash provided by operating activities were $33.8 million primarily related to amortization of intangibles of $25.3 million, depreciation of $3.6 million and stock based compensation expense of $4.3 million. Changes in operating assets and liabilities used $21.7 million in operating cash flows and was primarily driven by increased accounts receivable and unbilled services, net of $24.8 million, increased prepaid expenses and other assets of $8.5 million primarily related to federal tax payments and decreased accounts payable of $2.1 million, offset by increased pre funded study costs of $2.4 million and advanced billings of $15.0 million.

Cash Flow from Investing Activities

Net cash used in investing activities was $6.5 million for the six months ended June 30, 2017 primarily consisting of property and equipment expenditures and an acquisition of intangible assets.

Net cash used in investing activities was $5.7 million for the six months ended June 30, 2016 primarily consisting of property and equipment expenditures.

Cash Flow from Financing Activities

Net cash used in financing activities was $32.5 million for the six months ended June 30, 2017 primarily related to $26.4 million in repurchases of common stock and $6.2 million in principal payments on our Senior Secured Term Loan Facility.

Net cash used in financing activities was $15.7 million for the six months ended June 30, 2016, primarily consisting of $15.0 million principal payment on our Senior Secured Term Loan Facility.

Share Repurchases

In April 2017, the Board of the Company authorized a share repurchase program with an authorized level of $50.0 million. The share repurchase program, according to its terms, will expire in April 2018. Repurchases under the repurchase program may take place in the open market or negotiated transactions, at the discretion of the Company’s management. During the three and six months ended June 30, 2017, the Company repurchased 1,042,455 shares of its outstanding common stock.

Indebtedness

As of June 30, 2017, we had total indebtedness of $158.8 million, substantially all of which was attributed to outstanding borrowings on the Senior Secured Term Loan Facility. There were $0.2 million in outstanding borrowings under the Senior Secured Revolving Credit Facility as of June 30, 2017. As of June 30, 2017, we had $0.3 million in letters of credit outstanding related to certain operating lease obligations, which are secured by the Senior Secured Revolving Credit Facility. See Note 8 to our audited consolidated financial statements on our Annual Report on Form 10-K for details regarding our Senior Secured Credit Facilities.

Contractual Obligations and Commercial Commitments

We have various contractual obligations, which are recorded as liabilities in our condensed consolidated financial statements. Other items, such as operating lease obligations, are not recognized as liabilities in our condensed 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, 2016.

Off-Balance Sheet Arrangements

Off balance sheet arrangements refer to any transaction, agreement or other contractual arrangement to which an entity not consolidated under our entity structure exists, where we have an obligation arising under a guarantee contract, derivative instrument or variable interest or a retained or contingent interest in assets transferred to such an entity or similar arrangement that serves as credit, liquidity or market risk support for such assets. We have no off balance sheet arrangements currently.

Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with generally accepted accounting principles in the United States of America, or U.S. GAAP, requires us to make a variety of decisions which affect reported amounts and related disclosures, including the selection of appropriate accounting principles and the assumptions on which to base accounting estimates. In reaching such decisions, we apply judgment based on our understanding and analysis of the relevant circumstances, including our historical experience and other assumptions. Actual results could differ from our estimates. We are committed to incorporating accounting principles, assumptions and estimates that promote the representational faithfulness, verifiability, neutrality and transparency of the accounting information included in the financial statements.

There have been no significant changes in the critical accounting policies and estimates as previously described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

Recently Adopted Accounting Standards

In January 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2017-01, Business Combinations. The standard changes the definition of a business to assist entities with evaluating when a set of transferred assets and activities is a business. Under the new guidance, an entity first determines whether substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets. If this threshold is met, the set is not a business. If it's not met, the entity then evaluates whether the set meets the requirement that a business include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. ASU 2017-01 is effective for fiscal years beginning after December 15, 2017, and for interim periods within those fiscal years. The Company, as permitted, early adopted ASU 2017-01 using the prospective method in the second quarter of 2017. ASU 2017-01 was considered in the asset acquisition described in Note 2.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. The new guidance is intended to reduce diversity in practice by requiring the statement of cash flows to explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash and restricted cash equivalents. ASU 2016-18 is effective for fiscal years beginning after December 15, 2017, and for interim periods within those fiscal years. The Company, as permitted, early adopted ASU 2016-18 in the fourth quarter of 2016. As a result of this adoption, cash flows resulting from changes in restricted cash balances, are no longer presented as a component of net cash provided by operating activities in the Company's condensed consolidated statements of cash flows, but have been reclassified and combined within Increases/(Decreases) in Cash and Cash Equivalents and Restricted Cash. This reclassification was retrospectively applied to all periods presented within the condensed consolidated statements of cash flows.

In March 2016, the FASB issued ASU No. 2016-09, *Compensation - Stock Compensation: Improvements to Employee Share-Based Payment Accounting*. The new guidance is intended to simplify certain aspects of accounting for share based payments to employees, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. The Company elected to adopt this ASU in the first quarter of 2017 as required. The following summarizes the effects of the adoption on the Company's condensed consolidated financial statements:

- *Income taxes* - Upon adoption of this standard, all excess tax benefits and tax deficiencies (including tax benefits of dividends, if distributed, on share-based payment awards) are recognized as income tax expense or benefit in the statement of operations. The tax effects of exercised or vested awards are treated as discrete items in the reporting period in which they occur. As a result, the Company recognized discrete adjustments to income tax expense for the six months ended June 30, 2017 of less than $0.1 million related to excess tax benefits. The Company also recognizes excess tax benefits regardless of whether the benefit reduces taxes payable in the current period. The Company applied the prospective adoption approach for any unrecognized excess tax benefits beginning in 2017, which did not result in any cumulative-effect adjustment upon adoption. Prior periods have not been adjusted.

- *Forfeitures* - Prior to adoption, share-based compensation expense was recognized on a straight line basis, net of estimated forfeitures, such that expense was recognized only for share-based awards that were expected to vest. A forfeiture rate was estimated annually and revised, if necessary, in subsequent periods if actual forfeitures differed from initial estimates. Upon adoption, the Company no longer applies a forfeiture rate and instead accounts for forfeitures as they occur. The Company applied the modified retrospective adoption approach beginning in 2017 and booked an immaterial cumulative-effect adjustment to additional paid-in-capital and retained earnings within Shareholders' Equity. Prior periods have not been adjusted.

- *Statements of Cash Flows* - The Company historically accounted for excess tax benefits on the Statement of Cash Flows as a financing activity. Upon adoption of this standard, excess tax benefits are classified along with other income tax cash flows as an operating activity. The Company elected to adopt this portion of the standard on a prospective basis beginning in 2017. Prior periods have not been adjusted.

- *Earnings Per Share* - The Company uses the treasury stock method to compute diluted earnings per share, unless the effect would be anti-dilutive. Under this method, the Company is no longer required to estimate the tax rate and apply it to the dilutive share calculation for determining the dilutive earnings per share. The Company utilized the prospective adoption approach and applied this methodology beginning in 2017. Prior periods have not been adjusted.

Upon adoption, no other aspects of ASU 2016-09 had an effect on the Company's condensed consolidated financial statements or related footnote disclosures.

Recently Issued Accounting Standards

In February 2016, the FASB issued ASU 2016-02, Leases *(Topic 842)*. The guidance in ASU 2016-02 supersedes the lease recognition requirements in ASC Topic 840, *Leases (FAS 13)*. ASU 2016-02 requires an entity to recognize assets and liabilities arising from a lease for both financing and operating leases, along with additional qualitative and quantitative disclosures. ASU 2016-02 will be applied on a modified retrospective basis to each prior reporting period presented and is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. The Company is currently evaluating the effect this standard will have on its condensed consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09 ‘‘Revenue from Contracts with Customers,’’ to clarify the principles of recognizing revenue and create common revenue recognition guidance between US GAAP and International Financial Reporting Standards. In March 2016, the FASB issued ASU 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus

Agent Considerations (Reporting Revenue Gross versus Net). In April 2016, the FASB issued ASU 2016-10, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing. In May 2016, the FASB issued ASU 2016-12, Narrow-Scope Improvements and Practical Expedients. In December 2016, the FASB issued ASU 2016-20 Technical Corrections and Improvements to Topic 606, Revenue From Contracts with Customers. ASUs’ 2016-20, 2016-12, 2016-10 and 2016-08 all clarify the interpretation guidance in ASU No. 2014-09, “Revenue from Contracts with Customers” specifically related to narrowing specific aspects of Topic 606 and adding illustrative examples to assist in the application of the guidance. The effective date and transition requirements in ASUs’ 2016-20, 2016-12, 2016-10, and 2016-08 are the same as the effective date and transition requirements of ASU 2014-09. ASU 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date, deferred the original effective date of ASU 2014-09 by one year. The new standard allows for either a retrospective or modified retrospective approach to transition upon adoption. The new standard will be effective for annual reporting periods beginning after December 15, 2017. Early adoption is permitted for annual reporting periods beginning after December 15, 2016.

The Company continues to progress in its evaluation of potential impact of adopting this standard on its business policies, processes and systems, internal control over financial reporting environment, and financial reporting and disclosures. The Company expects that the majority of its contracts will have a single performance obligation and continues to assess the best measure of progress for recognition purposes. The Company will adopt ASU 2014-09 as well as the clarified guidance in ASUs’ 2016-20, 2016-12, 2016-10, 2016-08, utilizing the modified retrospective approach, during the first quarter of 2018.

There have been no significant changes in the critical accounting policies and estimates as previously described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016.

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, 2016.

Item 4. Controls and Procedures

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, evaluated, as of the end of the period covered by this Quarterly Report on Form 10-Q, 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 (the "Exchange Act")). Based on that evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of June 30, 2017.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) identified in connection with the evaluation of our internal control performed during the fiscal quarter ended June 30, 2017, that has materially affected, or is 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 our potential risks and uncertainties, see the information under the heading "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016. There have been no significant changes from the risk factors previously disclosed in our Annual Report, except as noted below.

Risks Relating to Ownership of Our Common Stock

Investment funds affiliated with Cinven pledged all of its owned shares of our common stock as collateral for borrowings under a credit agreement unaffiliated with Medpace.

On June 16, 2017, Cinven informed us that Medpace Limited Partnership ("MLP"), an entity formed by Cinven to hold all Cinven's equity interests in us, entered into a credit agreement (the "MLP Credit Agreement") with Credit Suisse AG, Cayman Islands Branch, and Morgan Stanley Bank, N.A., as lenders (together, the "Lenders"), Credit Suisse AG, Cayman Islands Branch, as administrative agent, and Credit Suisse Securities (USA) LLC, as calculation agent. Pursuant to the MLP Credit Agreement, MLP entered into a pledge agreement (the "MLP Pledge Agreement") with Credit Suisse Securities (USA) LLC, as secured party and Morgan Stanley Bank, N.A., as secured party (together, the "Secured Parties"). Pursuant to the MLP Pledge Agreement, MLP pledged all of its shares of the Company's common stock, $0.01 par value per share, to the Secured Parties.

On June 21, 2017 (the "MLP Funding Date"), MLP borrowed $150.0 million under the MLP Credit Agreement. Pursuant to the MLP Pledge Agreement, to secure any borrowings under the MLP Credit Agreement, MLP pledged 22,999,997 shares (collectively, the "MLP Pledged Shares") of the Company's common stock as of the MLP Funding Date. The MLP Pledged Shares represented approximately 56.4% of the Company's issued and outstanding Common Stock as of June 21, 2017. All of the MLP Pledged Shares were contributed to MLP from Cinven's Fifth Cinven Fund (No. 1) Limited Partnership, Fifth Cinven Fund (No. 2) Limited Partnership, Fifth Cinven Fund (No. 3) Limited Partnership, Fifth Cinven Fund (No. 4) Limited Partnership, Fifth Cinven Fund (No. 5) Limited Partnership, Fifth Cinven Fund (No. 6) Limited Partnership, Fifth Cinven Fund FCP-SIF and Fifth Cinven Fund Co-Investment Partnership, which collectively own all of the equity interest in MLP.

The MLP Credit Agreement contains customary default provisions. In the event of a default under the MLP Credit Agreement by MLP, the Lenders and their affiliates and assignees may foreclose upon any and all MLP Pledged Shares and may seek recourse against MLP. The Company is not a party to the MLP Credit Agreement or the MLP Pledge Agreement and has no obligations thereunder, but has delivered a letter agreement to the Lenders in which it has, among other things, agreed, subject to applicable law and stock exchange rules, not to take any action intended to hinder or delay the exercise of any remedies by the Lenders under the MLP Credit Agreement or the MLP Pledge Agreement.

In the event of a foreclosure upon any or all of the MLP Pledged Shares, we may no longer be a controlled company, and we may have difficulties complying with certain NASDAQ rules that we take advantage of as a controlled company if we cease to be a controlled company. We intend to comply with these NASDAQ rules if we cease to be a controlled company. However, there can be no assurance that we will be able to comply with such rules before the end of the applicable phase-in period for compliance. See "Risk Factors—Risks Relating to Ownership of Our Common Stock—We are a "controlled company" within the meaning of the NASDAQ rules and, as a result, we qualify for, and rely on, exemptions from certain corporate governance requirements. Our shareholders do not have the same protections afforded to shareholders of companies that are subject to such requirements" in Item 1A of Part I of the Annual Report on Form 10-K filed on February 28, 2017 for the year ended December 31, 2016. Additionally, any foreclosure upon the MLP Pledged Shares could result in sales of a substantial amount of shares of our common stock in the public market, which could cause the market price of our common stock to drop significantly, even if our business is doing well. See "Risk Factors—Risks Relating to Ownership of Our Common Stock—Shares of our common stock may be sold into the market in the near future. This could cause the market price of our common stock to drop significantly, even if our business is doing well" in Item 1A of Part I of the Annual Report on Form 10-K. Moreover, the occurrence of a foreclosure, and a subsequent sale of all, or substantially all, of the MLP Pledged Shares could result in a change of control under our Senior Secured Credit Facilities, even when such change may not be in the best interest of our stockholders. Such sale of the MLP Pledged Shares may also result in another shareholder beneficially owning a significant amount of our common stock and being able to exert a significant degree of influence or actual control over our management and affairs. Such shareholder's interests may be different from or conflict with those of our other shareholders. See "Risk Factors—Risks Relating to Ownership of Our Common Stock—Cinven and our Chief Executive Officer and founder collectively control a substantial majority of our outstanding common stock and their interests may be different from or conflict with those of our other shareholders" in Item 1A of Part I of the Annual Report on Form 10-K.

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

Share Repurchases

This table provides certain information with respect to our purchases of shares of the Company's common stock during the second fiscal quarter of 2017:

Issuer's Purchases of Equity Securities (a)

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publically Announced Plan	Approximate Dollar Value of Share That May Yet Be Purchased Under the Plan
May 4, 2017, through May 31, 2017	883,600	$ 24.83	883,600	$ 28,057,690
June 1, 2017, through June 30, 2017	158,855	$ 27.87	158,855	$ 23,630,685
Total	1,042,455	$ 25.30	1,042,455	

(a) On May 1, 2017 the Company announced that its Board of Directors had authorized a share repurchase program ("2017 Repurchase Plan") of up to $50 million of the Company's common stock in the open market or negotiated transactions, at the discretion of our management. The 2017 Repurchase Plan expires when the entire $50 million repurchase is exhausted or on April 1, 2018, whichever occurrence first occurs. The Company has not repurchased any common shares other than those made through the publically announced 2017 Repurchase Plan.

Recent Sales of Unregistered Securities

On January 10, 2017, an employee exercised stock options granted under the 2014 Equity Incentive Plan to purchase a total of 1,851 shares of our common stock at a price of $16.21 per share for an aggregate purchase price of approximately $30,000.

On February 2, 2017, employees exercised stock options granted under the 2014 Equity Incentive Plan to purchase a 925 shares of our common stock at a price of $14.41 per share for an aggregate purchase price of approximately $13,300 and 277 shares of our common stock at a price of $16.21 per share for an aggregate purchase price of approximately $4,500.

On February 10, 2017, an employee exercised stock options granted under the 2014 Equity Incentive Plan to purchase a total of 1,000 shares of our common stock at a price of $14.41 per share for an aggregate purchase price of approximately $14,400.

On February 15, 2017, an employee exercised stock options granted under the 2014 Equity Incentive Plan to purchase a total of 1,851 shares of our common stock at a price of $16.21 per share for an aggregate purchase price of approximately $30,000.

On February 21, 2017, employees exercised stock options granted under the 2014 Equity Incentive Plan to purchase a 1,500 shares of our common stock at a price of $14.41 per share for an aggregate purchase price of approximately $21,600 and 462 shares of our common stock at a price of $16.89 per share for an aggregate purchase price of approximately $7,800.

On February 28, 2017, employees exercised stock options granted under the 2014 Equity Incentive Plan to purchase a 2,555 shares of our common stock at a price of $14.41 per share for an aggregate purchase price of approximately $36,800 and 832 shares of our common stock at a price of $16.21 per share for an aggregate purchase price of approximately $13,500.

On March 2, 2017, employees exercised stock options granted under the 2014 Equity Incentive Plan to purchase a 1,185 shares of our common stock at a price of $14.41 per share for an aggregate purchase price of approximately $17,100 and 250 shares of our common stock at a price of $16.21 per share for an aggregate purchase price of approximately $4,100.

On April 1, 2017, employees exercised stock options granted under the 2014 Equity Incentive Plan to purchase a total of 8,154 shares of our common stock at a price of $14.41 per share for an aggregate purchase price of approximately $117,500.

On April 5, 2017, employees exercised stock options granted under the 2014 Equity Incentive Plan to purchase a total of 370 shares of our common stock at a price of $14.41 per share for an aggregate purchase price of approximately $5,300 and 1,851 shares of our common stock at a price of $18.23 per share for an aggregate purchase price of approximately $33,700.

On April 6, 2017, employees exercised stock options granted under the 2014 Equity Incentive Plan to purchase a total of 648 shares of our common stock at a price of $16.21 per share for an aggregate purchase price of approximately $10,500.

On May 2, 2017, employees exercised stock options granted under the 2014 Equity Incentive Plan to purchase a total of 11,648 shares of our common stock at a price of $14.41 per share for an aggregate purchase price of approximately $167,800, 4,259 shares of our common stock at a price of $16.21 per share for an aggregate purchase price of approximately $69,000 and 2,222 shares of our common stock at a price of $16.88 per share for an aggregate purchase price of approximately $37,500.

On May 5, 2017, employees exercised stock options granted under the 2014 Equity Incentive Plan to purchase a total of 9,260 shares of our common stock at a price of $16.21 per share for an aggregate purchase price of approximately $150,100.

On May 24, 2017, employees exercised stock options granted under the 2014 Equity Incentive Plan to purchase a total of 2,777 shares of our common stock at a price of $16.21 per share for an aggregate purchase price of approximately $45,000.

On June 12, 2017, employees exercised stock options granted under the 2014 Equity Incentive Plan to purchase a total of 6,666 shares of our common stock at a price of $14.41 per share for an aggregate purchase price of approximately $96,100 and 1,851 shares of our common stock at a price of $16.20 per share for an aggregate purchase price of approximately $30,000.

On June 23, 2017, employees exercised stock options granted under the 2014 Equity Incentive Plan to purchase a total of 8,334 shares of our common stock at a price of $14.41 per share for an aggregate purchase price of approximately $120,100 and 1,851 shares of our common stock at a price of $16.20 per share for an aggregate purchase price of approximately $30,000.

Use of Proceeds from Registered Securities

Not applicable.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

The exhibits in the accompanying Exhibit Index following the signature page are filed or furnished as a part of this report and are incorporated herein by reference.

SIGNATURES

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

MEDPACE HOLDINGS, INC.

/s/ Jesse J. Geiger
Jesse J. Geiger
Chief Financial Officer, and Chief Operating Officer, Laboratory Operations
(Authorized Officer and Principal Financial Officer)

Date: August 1, 2017

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed/ Furnished Herewith
		Form	File No.	Exhibit	Filing Date	
31.1	Rule 13a-14(a) / 15d-14(a) Certification of Chief Executive Officer					*
31.2	Rule 13a-14(a) / 15d-14(a) Certification of Chief Financial Officer					*
32.1	Section 1350 Certification of Chief Executive Officer					**
32.2	Section 1350 Certification of Chief Financial Officer					**
101.INS	XBRL Instance Document					*
101.SCH	XBRL Taxonomy Extension Schema Document					*
101.CAL	XBRL Taxonomy Calculation Linkbase Document					*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document					*
101.LAB	XBRL Taxonomy Extension Label Linkbase Document					*
101.PRE	XBRL Taxonomy Extension Presentation					*

* Filed herewith.

** Furnished herewith.

Exhibit 31.1

I, Dr. August J. Troendle, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Medpace Holdings, Inc.;
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)) 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) [Omitted];
   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: August 1, 2017

/s/ August J. Troendle

Dr. August J. Troendle

President, Chief Executive Officer and Chairman of the Board of Directors

(Principal Executive Officer)

Exhibit 31.2

I, Jesse Geiger, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Medpace Holdings, Inc.;
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)) 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) [Omitted];
   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: August 1, 2017

/s/ Jesse Geiger

Jesse Geiger

Chief Financial Officer and Chief Operating Officer, Laboratory Operations

(Principal Financial Officer)

Exhibit 32.1

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

In connection with the Quarterly Report of Medpace Holdings, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2017 filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Dr. August J. Troendle, President, Chief Executive Officer and Chairman of the Board of Directors of 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:

- The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 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: August 1, 2017

By: /s/ August J. Troendle
Dr. August J. Troendle
President, Chief Executive Officer and
Chairman of the Board of Directors
(Principal Executive Officer)

Exhibit 32.2

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

In connection with the Quarterly Report of Medpace Holdings, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2017 filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jesse Geiger, Chief Financial Officer and Chief Operating Officer, Laboratory Operations of 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:

- The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 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: August 1, 2017

By: /s/ Jesse Geiger
Jesse Geiger
Chief Financial Officer and Chief Operating Officer,
Laboratory Operations
(Principal Financial Officer)