Deutsche Bank
Markets Research

Rating
Hold

North America
United States

Health Care
Healthcare Technology & Distribution

Company
Catalent

Reuters	Bloomberg	Exchange	Ticker
CTLT.N	CTLT US	NYS	CTLT

Date
9 September 2014

Initiation of Coverage

Price at 8 Sep 2014 (USD)	22.50
Price Target	25.00
52-week range	22.50 - 19.85

Manufacturing Value in Pharma Production

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Adding Value in Manufacture, but near Fairly Valued

We are initiating on Catalent (CTLT) shares with a Hold rating, as limited upside to our target price prevents us from being more positive on the stock. Catalent is the largest value-added contract manufacturer in the pharma services space, with a broad array of product and service offering and a long and distinguished customer list. Relative to the pharma services universe, Catalent is seeing slightly slower organic growth, thus our use of a slightly lower than the peer group target multiple.

An Often Overlooked Space

Most investors have little familiarity with the contract manufacturing space in the drug supply chain as the publicly traded companies that existed in this market either were acquired or went private years ago. We believe the global outsourced drug manufacturing market is likely in the $13-15B range, growing low to mid single digits. We also see that market as highly fragmented, with high quality players like Catalent in a position to take share.

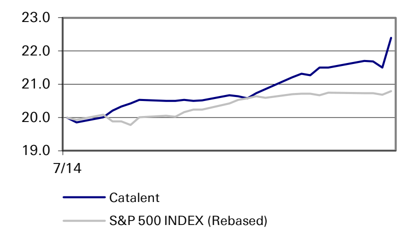
Our Estimates and a Word on the Numbers

We are introducing adjusted earnings estimates for Catalent of $1.84 in F2015 (ending June) and $2.06 for F2016. We note these figures foot to the company's reporting structure, and make the shares seem unusually cheap in the pharma services peer group. We have made additional adjustments to our estimates to make Catalent's earnings more comparable to its peers on a reported basis, and our reference earnings estimate for C2015 is $1.50.

Shares are near our Fair Value Estimate

Using a blend of relative EPS and EV/EBITDA multiples, our price target for CTLT shares is $25. Our P/E valuation is based on applying the peer group median of 17.4x to our adjusted C2015 EPS estimate of $1.50. Our EV/EBITDA valuation is based on applying a peer group multiple of 9.4x to our C2015 EBITDA estimate of $474mm. Negative risks to our thesis include any quality or reputational issues in Catalent's operations, Catalent's ability to maintain or grow market share, and the high level of investor concentration. Positive risks to our forecast include Catalent gaining market share faster than we forecast, competitor operational missteps, accretive acquisitions to consolidate a fragmented market, and technology innovations that drive better than expected financial results.

Price/price relative



Performance (%)	1m	3m	12m
Absolute	9.6	–	–
S&P 500 INDEX	3.6	2.7	20.9

Source: Deutsche Bank

Forecasts And Ratios

Year End Jun 30	2014A	2015E	2016E
1Q EPS	-0.02	0.24	–
2Q EPS	0.34	0.33	–
3Q EPS	0.48	0.46	–
4Q EPS	0.94	0.77	–
FY EPS (USD)	1.74	1.84	2.06
P/E (x)	–	12.2	10.9
EV/EBITDA (x)	–	9.6	8.5
Revenue (USDm)	1,828	1,904	2,030

Source: Deutsche Bank estimates, company data

Model updated:09 September 2014

Running the numbers

North America

United States

Health Care IT & Distribution

Catalent

Reuters: CTLT.N Bloomberg: CTLT US

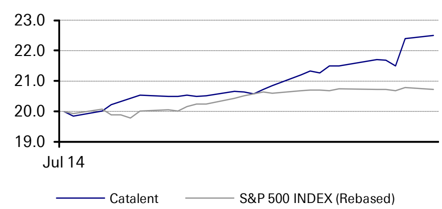
Hold

Price (8 Sep 14)	USD 22.50
Target Price	USD 25.00
52 Week range	USD 19.85 - 22.50
Market Cap (m)	USDm 2,734
	EURm 2,112

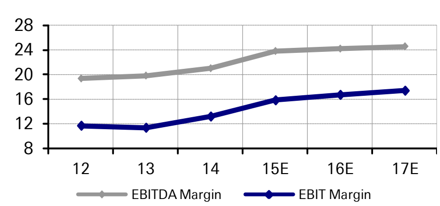
Company Profile

Catalent is a leading provider in the biopharmaceutical services industry with a focus on manufacturing solutions and drug delivery technology for drugs, biologics, and consumer health products. Catalent operates in three segments: Oral Technologies, Medication Delivery Solutions, and Development and Clinical Services.

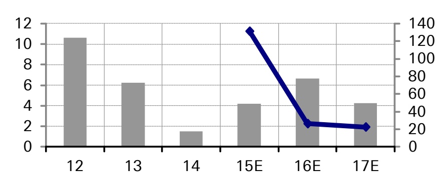
Price Performance



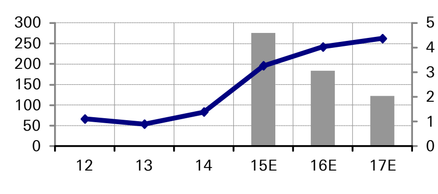
Margin Trends



Growth & Profitability



Solvency



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Fiscal year end 30-Jun	2012	2013	2014	2015E	2016E	2017E
Financial Summary						
DB EPS (USD)	na	na	1.74	1.84	2.06	1.98
Reported EPS (USD)	-0.49	-0.57	0.20	1.22	1.42	1.54
DPS (USD)	0.00	0.00	0.00	0.00	0.00	0.00
BVPS (USD)	-4.30	-5.03	-4.49	4.87	6.10	7.59
Valuation Metrics						
Price/Sales (x)	nm	nm	nm	1.4	1.3	1.3
P/E (DB) (x)	na	na	na	12.2	10.9	11.4
P/E (Reported) (x)	nm	nm	na	18.5	15.9	14.7
P/BV (x)	nm	nm	nm	4.6	3.7	3.0
FCF yield (%)	na	na	na	7.2	7.4	8.0
Dividend yield (%)	na	na	na	0.0	0.0	0.0
EV/Sales	nm	nm	nm	2.3	2.0	1.9
EV/EBITDA	nm	nm	nm	9.6	8.5	7.6
EV/EBIT	nm	nm	nm	14.5	12.3	10.7
Income Statement (USDm)						
Sales	1,695	1,800	1,828	1,904	2,030	2,116
EBITDA	328	357	384	453	491	520
EBIT	198	204	241	301	339	368
Pre-tax profit	19	-24	67	209	255	284
Net income	-40	-47	16	148	181	198
Cash Flow (USDm)						
Cash flow from operations	109	127	171	319	334	354
Net Capex	-102	-120	-122	-121	-122	-123
Free cash flow	7	7	50	198	212	231
Equity raised/(bought back)	1	1	0	807	0	0
Dividends paid	0	0	0	0	0	0
Net inc/(dec) in borrowings	352	-51	-42	-919	-2	-2
Other investing/financing cash flows	-426	-1	-47	0	0	0
Net cash flow	-66	-43	-39	85	210	229
Change in working capital	*-54*	*-25*	*13*	*12*	*-6*	*-5*
Balance Sheet (USDm)						
Cash and cash equivalents	139	106	74	160	370	599
Property, plant & equipment	810	815	873	878	882	887
Goodwill	1,030	1,023	1,097	1,097	1,097	1,097
Other assets	1,160	1,113	1,046	1,079	1,087	1,080
Total assets	3,139	3,057	3,090	3,214	3,437	3,663
Debt	2,684	2,692	2,711	1,793	1,793	1,793
Other liabilities	806	776	747	829	868	892
Total liabilities	3,490	3,467	3,458	2,622	2,661	2,686
Total shareholders' equity	-351	-410	-367	592	776	977
Net debt	*2,545*	*2,585*	*2,636*	*1,633*	*1,423*	*1,194*
Key Company Metrics						
Sales growth (%)	10.6	6.2	1.5	4.2	6.6	4.2
DB EPS growth (%)	na	na	na	5.5	11.9	-3.9
Payout ratio (%)	nm	nm	0.0	0.0	0.0	0.0
EBITDA Margin (%)	19.3	19.8	21.0	23.8	24.2	24.6
EBIT Margin (%)	11.7	11.4	13.2	15.8	16.7	17.4
ROE (%)	nm	nm	nm	131.3	26.4	22.6
Net debt/equity (%)	nm	nm	nm	276.1	183.4	122.2
Net interest cover (x)	1.1	0.9	1.4	3.3	4.0	4.4
DuPont Analysis						
EBIT margin (%)	11.7	11.4	13.2	15.8	16.7	17.4
x Asset turnover (x)	0.6	0.6	0.6	0.6	0.6	0.6
x Financial cost ratio (x)	0.1	-0.1	0.3	0.7	0.8	0.8
x Tax and other effects (x)	-2.2	2.0	0.2	0.7	0.7	0.7
= ROA (post tax) (%)	-1.4	-1.5	0.5	4.7	5.4	5.6
x Financial leverage (x)	-10.6	-8.1	-7.9	27.9	4.9	4.0
= ROE (%)	14.3	12.3	-4.2	131.3	26.4	22.6
annual growth (%)	*na*	*-14.3*	*na*	*na*	*-79.9*	*-14.5*
x NTA/share (avg) (x)	-3.5	-4.7	-4.8	0.9	5.4	6.8
= Reported EPS	-0.49	-0.57	0.20	1.22	1.42	1.54
annual growth (%)	*na*	*-15.6*	*na*	*514.3*	*16.3*	*8.3*

Source: Company data, Deutsche Bank estimates

Catalent Investment Thesis

Value Added Contract Drug Manufacturing

Initiating at Hold on CTLT Shares

We are initiating on Catalent (CTLT) shares with a Hold rating and a $25 target price, as limited upside to our target price prevents us from being more positive on the stock. Catalent is the largest value-added contract manufacturer in the pharma services space, with a broad array of product and service offerings and a long and distinguished customer list. Relative to the pharma services universe, Catalent is seeing slightly slower organic growth, thus our use of a slightly lower than the peer group target multiple.

An Often Overlooked Space

Most public market investors have little familiarity with the contract manufacturing space in the drug supply chain as the publicly traded companies that existed in this market either were acquired or went private years ago. Investors used to know names like RP Scherer and Alza, but the space now is dominated by private equity investors. We believe the global outsourced drug manufacturing market is likely in the $13-15B range, growing low to mid single digits. We also see that market as highly fragmented, with high quality players like Catalent in a position to take share.

Our Estimates and a Word on the Numbers

We are introducing adjusted earnings estimates for Catalent of $1.84 in F2015 (ending June) and $2.06 for F2016. We note that these figures foot to the company's reporting structure, and would make the shares seem unusually inexpensive in the pharma services peer group. We note though, that some of the tax adjustments are a bit unusual, and believe that investors making their own adjustments may adjust that EPS figure lower, making the multiple paid for CTLT shares appear more in line with its peers.

Valuation Approaching Fair

We value Catalent shares based on P/E and EV/EBITDA multiples, compared to a peer group of biopharma services and solutions providers. Our valuation of CTLT shares is based on a combination of P/E and EV/EBITDA. Our blended price target for CTLT shares is $25, based on a P/E derived valuation of $26.11 and an EV/EBITDA derived valuation of $24.55. Our P/E valuation of $26.11 is based on applying the peer group median P/E of 17.4x to our adjusted C2015 EPS estimate of $1.50. Our EV/EBITDA valuation of $24.55 is based on applying a peer group median EV/EBITDA of 9.4x to our C2015 EBITDA estimate of $474mm and adjusting for the value of Catalent's NOLs.

Risks to our Thesis

Negative risks to our investment thesis for Catalent include the financial risk that comes from any reputational or quality issues at the company. If industry demand for outsourced pharmaceutical services, particularly contract drug manufacturing grows slower than expected Catalent results could underperform our forecast. Catalent's ability to maintain or grow its market share is a risk to our financial forecast for the company, through both competition with other contract drug manufacturers or Catalent's ability to keep pace with technology innovations. There is also a risk to investors in CTLT shares due the high level of investor concentration, with Blackstone owning greater than 50% of CTLT shares.

Positive risks to our investment thesis include Catalent gaining share from competitors or increasing its share of new drug introductions. Catalent as a market share leader in a fragmented market could pursue acquisitions that drive financial results ahead of our forecasts. If Catalent is able to gain market share through new technology innovations or through the shift to biologics drugs, results could outperform our forecast.

Catalent Company Description

Catalent is a leading provider in the biopharmaceutical services industry with a focus on manufacturing solutions and drug delivery technology for drugs, biologics, and consumer health products. Catalent was formed in April 2007 through the acquisition of the Pharmaceutical Technology and Services segment of Cardinal Health by the private equity firm Blackstone. Cardinal's old PTS segment served as the foundational piece, to which several other pieces were added via acquisition. Catalent operates in three segments: Oral Technologies, Medication Delivery Solutions, and Development and Clinical Services. Catalent earned revenue over the past three years from nearly 80% of the top 200 largest selling compounds in the pharma and biotech sector.

Catalent Company Overview

We are initiating coverage of Catalent with a positive view on the company and its industry position. We are initiating with a Hold rating on the shares as we view the industry as slower growing than some other pharmaceutical services spaces and believe the current valuation multiple on CTLT shares is near the fair valuation for the business.

Catalent is well positioned in the Contract Manufacturing Organization (CMO) market as the leader in market share, with an emphasis on advance delivery technologies including its leading position in softgel drugs and OTC products. Penetration in the development and delivery outsourcing market remains relatively low compared to other biopharmaceutical services segments, we estimate CMO penetration at just under 30%, compared to 50-60% for the Contract Research Organization (CRO) industry. We expect the CMO industry will remain below the CRO penetration rates, but believe there is a longer term opportunity for Catalent and other CMO companies to close the gap on outsourcing rates.

Catalent and the other large value-added contract manufacturers have scale that is substantially greater than the second tier of companies in the industry, significant long-term relationships with the largest biopharma and consumer goods companies, and experience working on larger volume products. The greater resources and experience are important because it means the larger CMOs are generally able to deliver faster product development, which is likely to result in additional revenue for clients. Catalent and the leading CMOs also offer their customers proprietary technology that differentiates them from their competitors, with Catalent's leadership position in softgel technology being an important positive. Catalent's large, long-term relationships with customers allows Catalent to develop deeper partnerships with clients that results in better integrated operations, reducing costs and problems. We expect that Catalent's proprietary technology, experienced employees, and client relationships will make it difficult for new entrants to take substantial market share. Catalent's proprietary technologies also allow Catalent to generate margins that are higher than industry peers. Lastly, the larger CMOs have ready access to either the private or public equity financing markets, allowing them to capitalize on M&A opportunities or more easily make investments in R&D to bring new drug delivery technologies to market.

Catalent currently has a relationship with nearly all of the large biopharma and consumer companies that markets products in the segments Catalent addresses. Most of Catalent's largest customers currently use less than 50% of Catalent's offerings. Catalent's growth is expected to come largely from increased penetration in its current customer base, through greater outsourcing and novel product introductions. We expect Catalent will also complement organic growth with tuck-in or adjacent solution acquisitions that add modestly to revenue and EBITDA growth. The CMO market remains very fragmented beyond the largest companies, which presents an opportunity for Catalent to take market share from smaller vendors or to grow through acquisition. We expect that Catalent will also benefit from new biopharma product introductions, with the recent increase in new drug approvals positive for Catalent and the CMO industry. At the end of F2014 Catalent is contracted to be included in 175 new product introductions by customers, compared to 97 at the end of F2013.

Catalent is able to market to customers as the safe choice for outsourcing their drug manufacturing given its position as the leading CMO and its track record of regulatory and on-time performance. Catalent has an on-time delivery record of greater than 99%, with 60% fewer regulatory observations than the FDA's 2012 average. Catalent has never had a production stop because of a regulatory audit and in addition to regulatory audits Catalent went through approximately 300 customer audits in the past year.

In addition to the low risk we view related to regulatory or operational performance, we believe there is minimal customer concentration risk. Catalent has a high level of diversification of customers and products with no single customer accounting for greater than 10% of revenue and no individual product greater than 3% of Catalent's revenue. Catalent also generates a significant portion of its revenue from longer term contracts, with 70% of advanced delivery technologies (Oral Tech and Medication Delivery) revenue from long term contracts (3-10 years).

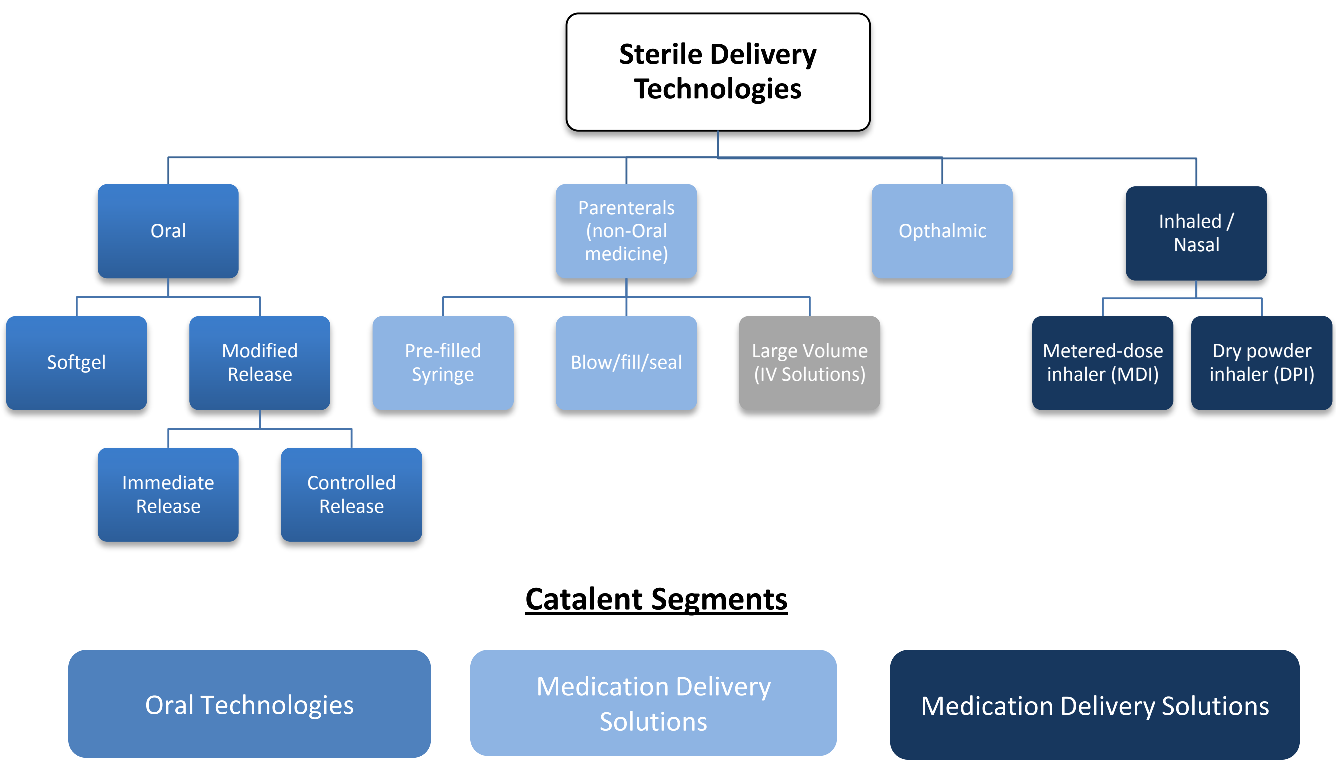
Catalent's solutions in the biopharma research and development process allow the company to get into the product development process earlier than traditional CMO solutions. This has the important advantage that Catalent's solutions and processes are included in biopharma company FDA filings, which makes it more difficult for customers to switch to another CMO and limits the price pressure on Catalent's contract renewals.

We expect Catalent's medium term revenue growth to benefit from recent product introductions in blow-fill-seal products, including the Advasept technology, expansion at the company's controlled-release facility in Kentucky, and Catalent's offerings in the Biologics space.

The Contract Manufacturing Industry and Catalent's Market Position

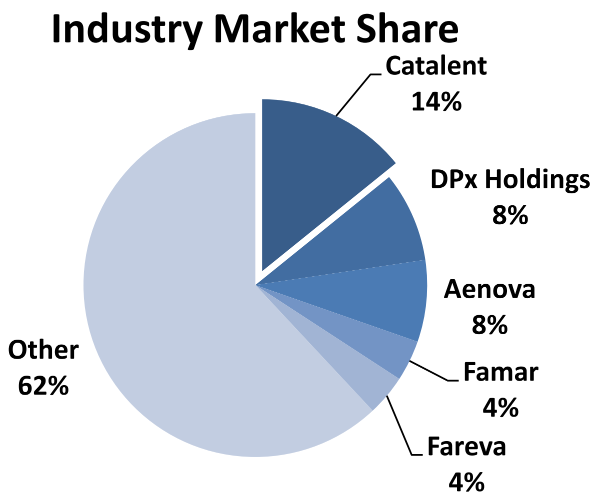
Catalent competes in the biopharmaceutical services industry, with a focus on the contract drug manufacturing market. The total global pharmaceuticals industry is a nearly $1 trillion industry based on IMS estimates, and various estimates size the Contract Manufacturing Organizations (CMOs) market at between $13 and $15 billion. Frost and Sullivan forecasts the market will reach $18.5 billion by 2017, a CAGR of 6.5%. We estimate that the CMO market is growing around 5% per year, and Catalent estimates that the market for advanced delivery technology is growing faster, at 6% to 10% per year based on industry analyst estimates and a higher share of new drug introductions requiring advanced delivery technologies. Advanced delivery technologies include dose forms that require more than simple, immediate release tablets and oral solutions. The CMO industry is highly fragmented with Catalent as the market leader at approximately 14% market share, the next four companies have between 4% - 8% market share. The remaining 62% of the market is comprised of more than 200 companies.

Figure 1: Biopharmaceutical and CMO Delivery Technology Segments



Source: Deutsche Bank, Frost and Sullivan

Figure 2: Industry Market Share (2014)



Source: Deutsche Bank, Company data

In addition to the post approval segment of the pharmaceutical services market Catalent also has solutions and services targeted at the pre-approval pharmaceutical development market. Catalent's focuses in this market segment are the clinical and the chemistry, manufacturing, and controls (CMC) subsegments. Catalent estimates the CMC market is approximately 14% of total biopharma R&D spending. Based on our estimate of $150 billion in total R&D spending this equates to a CMC market of about $22 billion. We estimate that biopharma R&D spending is increasing at low to mid single digits annually, with an increasing level of outsourcing for the CMC segment, indicating mid to high single digit growth in the CMC segment. In addition to the CMC market Catalent addresses a segment of the development, clinical trial supplies and logistics segment, and we estimate the addressable market for Catalent's Development Solutions segment is approximately $10 billion.

Catalent estimates that approximately 30% of the CMO, advanced delivery technology, and drug development and delivery industry is outsourced, ranging from 16% for Oral fast dissolve technologies to 42% for clinical trial supplies. This compares to our estimate for nearly 50% in the Contract Research Organizations industry and Catalent's estimate for 60% in the CRO industry. While we believe outsourcing to CMO companies will continue to increase, we do not believe the CMOs will quickly close the gap to CROs. Industry data indicates that outsourcing of new drug approvals is around 40%, ahead of the current 30% outsourcing rate for CMOs, but not a large enough differential to drive a significant change in penetration rate. We forecast industry growth of mid single digits for the CMO market.

Older Than it Looks – Catalent's 80 Year History

Catalent was formed in April 2007 through the acquisition by Blackstone of the Pharmaceutical Technology and Services (PTS) business unit of Cardinal Health. The PTS business unit at Cardinal Health was created through more than six acquisitions, with the RP Scherer acquisition in 1998 being the most notable. The RP Scherer business was built on a patent granted in the 1930s that is the core of the softgel business. Catalent operates in three segments: Oral Technologies, Medication Delivery Solutions, and Development and Clinical Services. Catalent's solutions and services span the drug development and manufacturing lifecycle, from pre-clinical to generic / OTC.

We estimate based on a $13 - $15 billion market size for pharmaceutical outsourced manufacturing that the Catalent Oral Technologies and Medication Delivery Solutions segments have an approximately 11% share. Catalent earned revenue over the past three years from nearly 80% of the top 200 largest selling compounds in the pharma and biotech sector. Catalent produces more than 70 billion doses annually for nearly 7,000 customer products. No single customer accounts for more than 10% of Catalent's revenue and no individual product accounts for more than 3% of revenue. Catalent holds approximately 1,300 patents and patent applications. Nearly 70% of Catalent's Oral Technologies and Medication Delivery Solutions revenue come from long term contracts, typically contracts with initial terms of three to ten years. The customer and contract structure provides Catalent with considerable revenue and earnings visibility, though we note that customer orders do have the ability to slide a quarter or more in response to customer needs and market demands.

Catalent's Reporting Segments

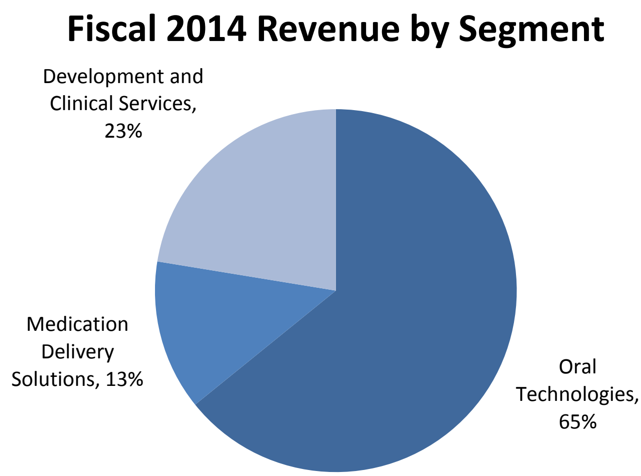
Catalent reports its financial results to investors in three principal reporting segments, Oral Technologies, Development and Clinical Services and Medication Delivery Solutions. The core oral technologies business is by far its largest and most established unit, representing more than 60% of the company's annual revenue and more than 70% of its earnings. We detail the products and services offered in each segment and its financial details below.

Figure 3: Catalent Business Segments

Segment	Offerings and Services	Fiscal 2014 Revenue
Oral Technologies	Formulation, development and manufacturing of prescription and consumer health products using proprietary softgel, Liqui-Gels, Vegicaps, OptiShell, OptiDose, OptiMelt, and Zydis technologies; as well as other proprietary and conventional oral drug delivery technologies.	$1,180
Medication Delivery Solutions	Formulation, development, and manufacturing for prefilled syringes and other injectable formats; blow-fill-seal unit dose development and manufacturing; and biologic cell line development and manufacturing, including GPEx and SMARTag technologies.	$246
Development & Clinical Services	Manufacturing, packaging, storage, distribution and inventory management for global clinical trials of drugs and biologics; analytical and bioanalytical development and testing; scientific and regulatory consulting services; development services and manufacturing for conventional oral dose forms, biologics, and respiratory products; and development and manufacturing of products.	$412

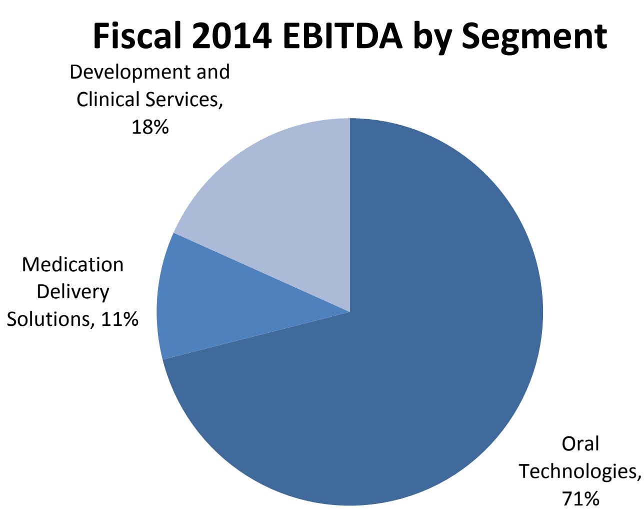
Source: Deutsche Bank

Figure 4: Revenue by Segment



Source: Company reports, Deutsche Bank

Figure 5: EBITDA by Segment

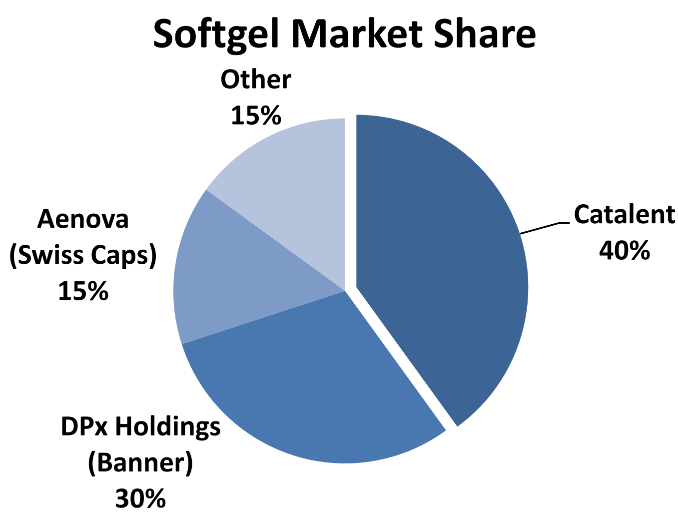


Source: Company reports, Deutsche Bank

Oral Technologies

Catalent's Oral Technologies segment provides formulation, development, and manufacturing of softgel, modified release technologies, and immediate release solid oral products. Starting with the RP Scherer business Catalent's history includes manufacturing soft gelatin capsules (softgels) for over 80 years. In addition to the traditional animal-derived softgel capsule offering, Catalent also manufactures VegiCaps and OptiShells softgels that are made from vegetable-derived materials. Softgels help solve formulation challenges and provide safe handling for certain types of drugs, as well as providing marketplace differentiation, particularly in the over-the-counter (OTC) market. The OptiShells technology allows for softgel formulations for a broader range of chemical formulas. Catalent has an extremely high market share of the softgel market, with 90% of FDA New Chemical Entity softgel approvals in the last 25 years and a market share of approximately 33% in the consumer OTC softgels market.

Figure 6: Softgel Market Share (2014)



Source: Company reports, Catalent, Deutsche Bank

The Modified Release Technologies business provides formulation, development, and manufacturing services for fast-dissolve tablets and controlled release products. This business includes the Zydis brand of tablets that are fast dissolving tabs manufactured through a freeze drying process. 6 of the top 10 pharma companies market a product that uses the Zydis technology. The OptiDose technology allows for dosage forms that include multi-core tablets and other alternative tablet designs. The Optimelt technology addresses medicines that are formulated through a hot melt extrusion process. While Catalent is one of three market leaders in outsourced complex oral dose manufacturing, the market is still dominated by in-house manufacturing at biopharma companies and consumer products companies. Catalent recently invested in added capacity at its Winchester, KY factory which had been running at capacity, in order to support growth in the oral controlled-release business.

The Oral Technologies segment was 64.6% of F2014 revenue and 71% of F2014 EBITDA. The softgel business is approximately 70% of Oral Technologies revenue and Modified Release is approximately 30%. The Modified Release revenue has more variability than the softgel business. Given the breadth of customer relationships in the Oral Technologies segment, Catalent will work to drive growth in this segment through increasing its penetration with current customers rather than finding new customers. Catalent's exposure to OTC and other segments outside of brand and generic pharma is also a positive as R&D spending in these segments is growing faster.

Catalent's contracts with customers reflect whether or not Catalent is able to offer its technology to the customers' competitors in the same market, with higher contract values for exclusive deals. Most contracts have price escalators that increase the revenue to Catalent based on manufacturing cost indexes or based on negotiated rate increases. Catalent passes through the cost of materials to customers, which lowers the risk for Catalent. Catalent has an on-time delivery record over 99%, which is important in the pharma sector where speed to market results in increased revenue.

Medication Delivery Solutions

The Medication Delivery Solutions segment provides formulation, development, and manufacturing services for delivery of drugs and biologics, administered via injection, inhalation and ophthalmic routes. Catalent offerings in Medication Delivery Solutions segment include blow-fill-seal, pre-filled syringes, and development and delivery solutions for Biologics. Catalent is one of the four leading outsourcing companies in the blow-fill-seal market, which combined have approximately 2/3 of the market and in-house manufacturing has about 25% with the remaining market share fragmented among smaller competitors. Catalent's blow-fill-seal offerings include the Advasept product line of glass-free containers that has the advantage of higher purity and ease of use with increased safety. The Catalent Advasept process is an all-in-one process, which compares to competitors that make and then fill plastic bottles in two steps. Medication Delivery Solutions includes the pre-filled syringes offerings, where Catalent is the third or fourth placed outsourced vendor in terms of market share but approximately half the market is produced by in-house biopharma facilities. Catalent's biologics solutions include formulation development and cell-line manufacturing. Across Catalent's business segments biologics are responsible for approximately 10% of Catalent's revenue.

The Medication Delivery Solutions segment was 13.5% of F2014 revenue and 11% of F2014 EBITDA. Medication Delivery Solutions was the fastest growing segment in F2014 with 12% revenue growth, on higher demand in Catalent's European pre-filled syringes operations. We also note that Catalent launched its biologics facility in Madison, Wisconsin which adds capacity in the biologics business. Biologic drug development is growing faster than traditional drugs and we would expect a similar dynamic going forward in Catalent's operations.

Development and Clinical Services

The Development & Clinical Services segment provides manufacturing, packaging, storage and inventory management for drugs and biologics in clinical trials. This segment includes the lower margin business of providing comparator drugs for clinical studies. Catalent expanded the Development and Clinical Services business in February 2012 through the acquisition of the Clinical Trials Supplies (CTS) business of Aptuit for $401 million. The acquisition of the CTS business approximately doubled the size of the Development and Clinical Services segment. Catalent formed a joint venture in F2013 with ShangPharma Corporation to expand its clinical supply services network in China.

The first business within the Development and Clinical Services segment is the Development and Analytical Services business. Catalent's services and solutions in this business assist clients throughout the research and development process as they work to bring products through the process to drug approval. Catalent is then able to help the client transition the product to commercial launch. In pharmaceutical products Catalent gains an advantage from being involved in the drug development process because the Catalent method for manufacturing the drug is then included in the drug master file with FDA. This typically allows Catalent to retain the product for the lifecycle of the product. The segment also includes Catalent's offerings in inhalation products across all dose forms. The Development and Analytical Services market is very broad and highly fragmented with small competitors controlling approximately 75% of the market, and Catalent and the four other leading competitors responsible for the remaining 25%.

The other business segment within the Development and Clinical Services segment is the Clinical Supply Solutions business. This business builds on the CTS acquisition and offers clinical supply management, comparator drug sourcing, as well as packaging and labeling solutions. Catalent's largest competitors in this business are Fisher and Almac, and combined the companies have approximately 75% of the market.

The Development and Clinical Services Segment was 22.6% of F2014 revenue and 18% of F2014 EBITDA. Revenue in the Development and Clinical Services Segment was modestly positive in F2014, but impacted by the shift in revenue from low margin comparator drug business. EBITDA growth was strong at 20.3%. We expect this business will continue to grow as clinical trials continue to increase in complexity, outsourcing increases, and trial sponsors look to consolidate their outsourcing to fewer vendors.

Acquisitions Play an Important Role

Since January 1, 2012, Catalent has completed five acquisitions, the largest of which was the February 2012 $400.8 million purchase of the Aptuit CTS business. Since that acquisition, Catalent has consolidated one operation in December 2012 and completed the consolidation of a second operation in December 2013. In February 2012 Catalent acquired the remaining 49% ownership interest in their German softgel joint venture with Gelita. Catalent started a joint venture in China in June 2013, and an acquisition in China in F1Q14. Catalent also completed the acquisition of Relthy Laboratórios in Brazil in F2Q14 to expand its softgel business in South America.

Sizing Up the Competition – Catalent's Key Competitors

DPx Holdings

We believe that DPx Holdings B.V. (DPx), the privately held parent company of the Patheon, Banner Life Sciences, and DSM Fine Chemicals businesses is the second largest contract manufacturing company after Catalent. DPx generates approximately $2 billion in revenue and we believe that the Patheon business contributes ~$867 million, the Banner business contributes ~$277 million, and the DSM segment generates ~$760 million. DPx was created through the March 2014 acquisition of Patheon by JLL Partners and its merger with DSM Fine Chemicals. The Patheon and Banner business segments are focused on contract manufacturing and combined are the second largest contract manufacturing business to Catalent.

Patheon has two reportable segments, CMO and PDS. The CMO business is 86% of revenue and manufactures various sterile dosage forms, as well as solid oral, conventional and specialized dosage forms. The PDS business is 14% of revenue and provides a broad range of development services, including a wide variety of solid and sterile dosage forms. In December 2012 Patheon acquired Banner, which is the second largest pharmaceutical services business focused on delivering proprietary softgel formulations, with four manufacturing facilities. We believe that the combined Patheon and Banner businesses should generate ~$1.1 billion in 2014 revenue. The DSM Fine Chemicals businesses (formerly the DSM Pharmaceutical Products (DPP) segment of Royal DSM), focuses on the active pharmaceutical ingredients segment of the market and is less directly competitive with Catalent.

Aenova

We estimate that Aenova Holding GmbH is the third largest contract manufacturer with approximately $1 billion in revenue. Aenova is privately held and owned by BC partners, having been acquired from Bridgepoint in August 2012 for €480 million. Aenova in October 2013 acquired Haupt Pharma, which added approximately €280 million in annual revenue. Aenova has over 4000 employees at 21 sites worldwide with solutions that cover all aspects of solid, semi-solid and liquid dosage forms. The Aenova Group was established in 2008 following the merger between Dragenopharm Apotheker Püschl GmbH and Swiss Caps AG. Aenova is headquartered in Pähl, Germany.

Aenova has capacity for the manufacturer of 22 billion softgel capsules and 20 billion tablets, with specialization in manufacturing solid, semi-solid and liquid dosage forms. Aenova also offers services in product development, packing, supply chain management, and analytics. The acquisition of Haupt added areas such as sterile manufacturing and the production of special active ingredients. The Swiss Caps business is focused on the softgel market, and we estimate the Swiss Caps business is the third largest softgel competitor.

Famar

We believe that Famar is the fourth largest contract manufacturer with an estimated revenue of $500 million. Famar is a European based contract manufacturing organization, with corporate offices in Greece and France. Famar is privately owned by the Marinopoulos Group, which also has interests in a number of retail businesses, largely as a franchisee of Carrefour, Gap and Starbucks. Famar operates a network of 11 production sites, three pharmaceutical development units, one Health & Beauty R&D unit, and three distribution centers, in four European countries. Famar has 145 customers, over 1800 products, and over 5000 SKUs.

Famar manufacturing offers solid form, semi-solids and liquids, sterile and freeze-dried forms, and specialized manufacturing. Famar also offers flexible packing solutions for finished dosages, and technology transfer services. For products in the Pharmaceuticals (Rx & OTC), Cosmetics and Food Supplements-Nutraceuticals, Famar has product development solutions in a wide range of dosage forms. Famar also offers logistics services in the prewholesale distribution segment for the Greek pharmaceutical, OTC and Health and Beauty markets.

Fareva

We estimate that Fareva is the fifth largest company focused on contract manufacturing and APIs. Fareva is headquartered in Luxembourg and has total annual sales of $1.7 billion, but this also includes divisions focused on industrial and household chemicals and cosmetics. We estimate that approximately one-third of Fareva's revenue is from pharma, making the company similar in size to Famar. Fareva entered the US market in 2011 through the purchase of a manufacturing facility from Pfizer.

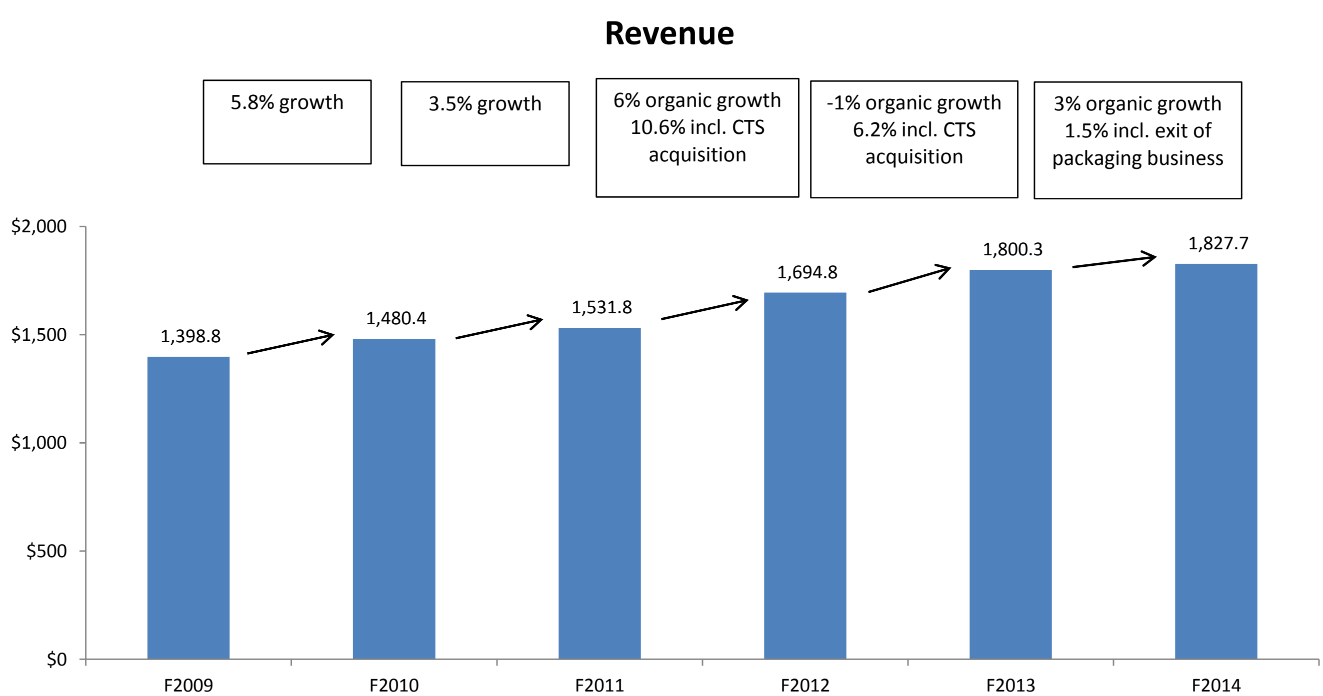
Capsugel

Capsugel was spun off from Pfizer and acquired by KKR in 2011 for $2.4 billion. Capsugel is the leading supplier of hard-gelatin capsules, typically provided to biopharma companies, OTC products companies, and other manufacturers as empty, two-piece hard capsules. Capsugel entered the softgel market in 2005 and is a smaller competitor in this market. Capsugel's offering in the hard-gelatin capsules market competes for market share indirectly with softgel products offered by Catalent. Capsugel reported revenue of $750 million at the time of its acquisition by KKR.

Catalent Financial Forecast

Catalent's organic revenue growth over the past five years has averaged ~3.5%. We note that the F2012 and F2013 growth rates are distorted by a large customer order for Zydis in F2012 that was significantly reduced in F2013. In F2014 the total revenue growth reflects the impact of Catalent's decision to exit its commercial packaging business and the timing shift from the fourth quarter of approximately $7 million in low margin comparator drug revenue.

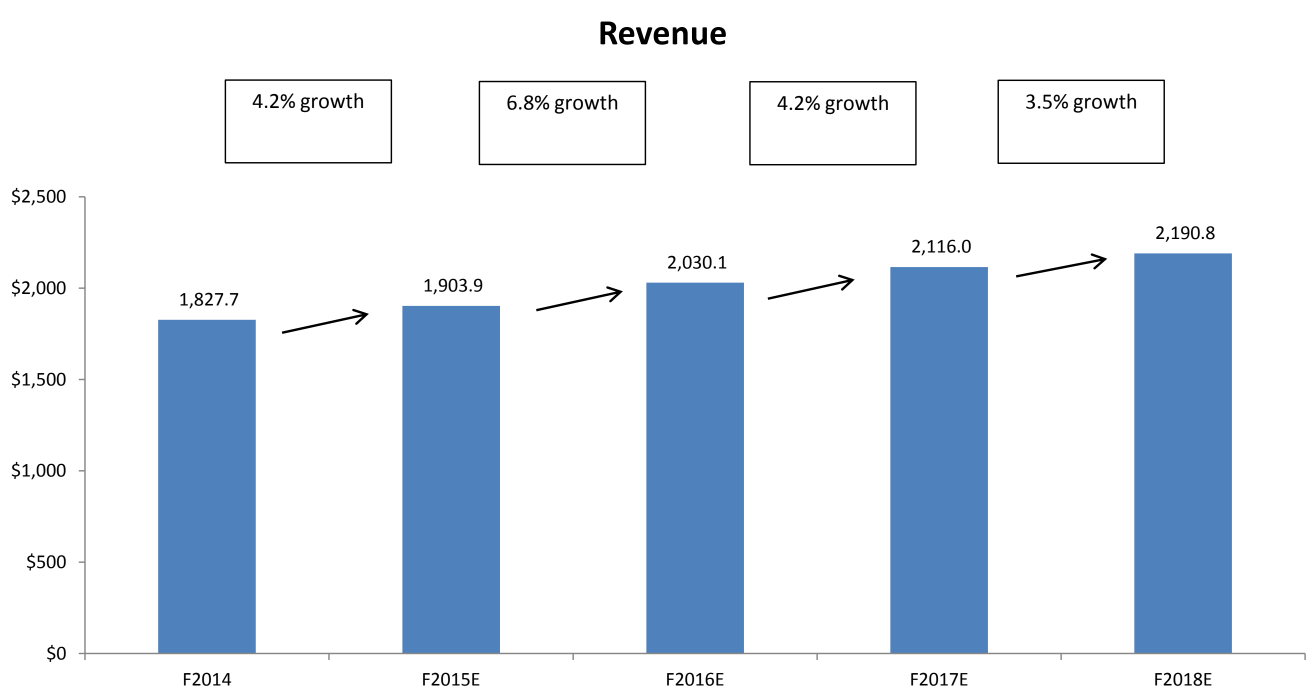
Figure 7: Catalent Revenue Growth



Source: Deutsche Bank, Company data

We forecast the 3% organic growth rate in F2014 will accelerate to 4.2% growth in F2015 as capacity utilization is improved, a F2014 raw material supply issue is now resolved, and any customer orders that were delayed due to new manufacturing facility openings are brought into manufacturing. We forecast organic growth continues to accelerate into F2016, reaching 6.8% growth. Our faster revenue growth forecast in F2016 reflects Zydis continuing to increase off of the new base in F2014, new Zydis product introductions, growth in the softgel business domestically and internationally, and faster revenue growth in Development and Clinical Services where book to bill has been increasing. After F2016 we project revenue growth to decline to slightly below the industry growth rate given Catalent's market share and the maturity of the softgel market.

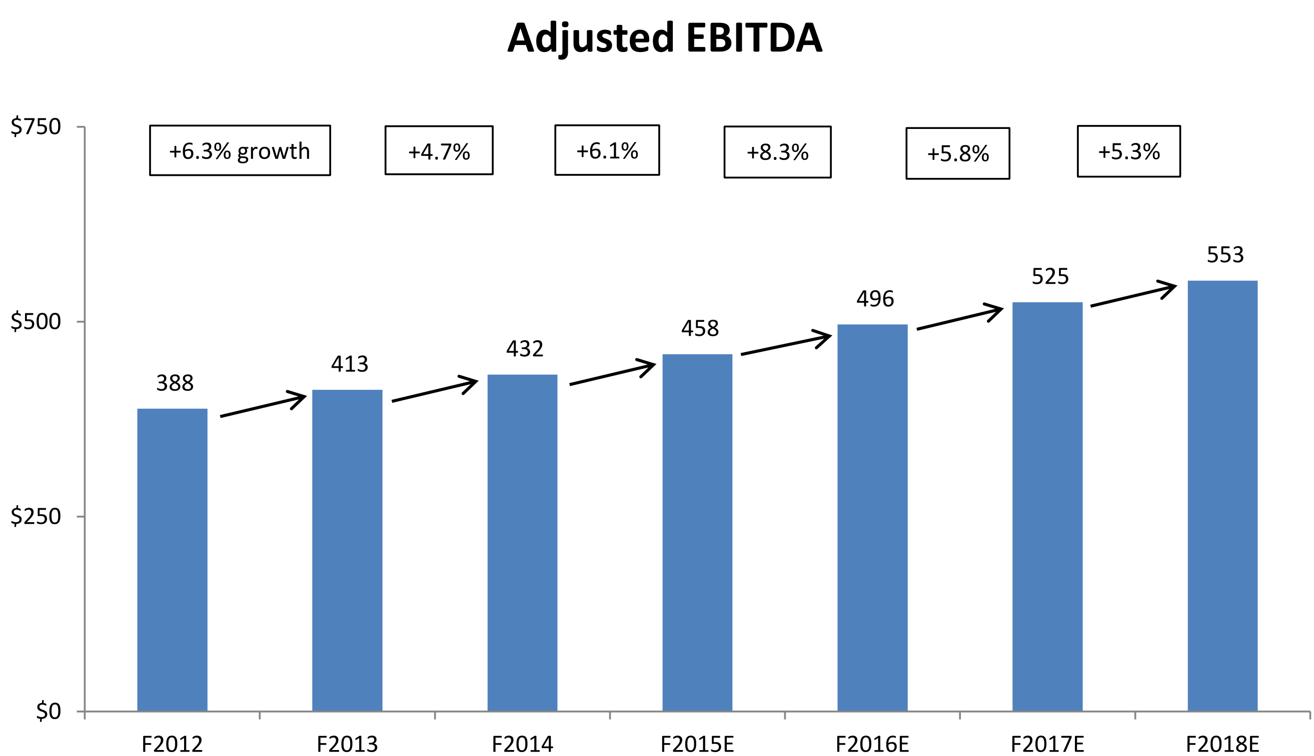
Figure 8: DB Forecasted Catalent Revenue Growth



Source: Deutsche Bank

Adjusted EBITDA growth in F2013 essentially matched revenue growth at 6.3% EBITDA growth compared to F2013 revenue growth of 6.2%, including the benefit of the Aptuit acquisition. F2014 estimated EBITDA growth of 4.7% outpaced revenue growth of 1.5% as each segment expanded its EBITDA margin and unallocated corporate costs declined. Going forward we forecast EBITDA growth between 150bps and 190bps ahead of revenue growth, driven by modest margin expansion in the Oral Technologies segment and greater margin expansion in the other segments, combined with a decline in corporate costs in F2015.

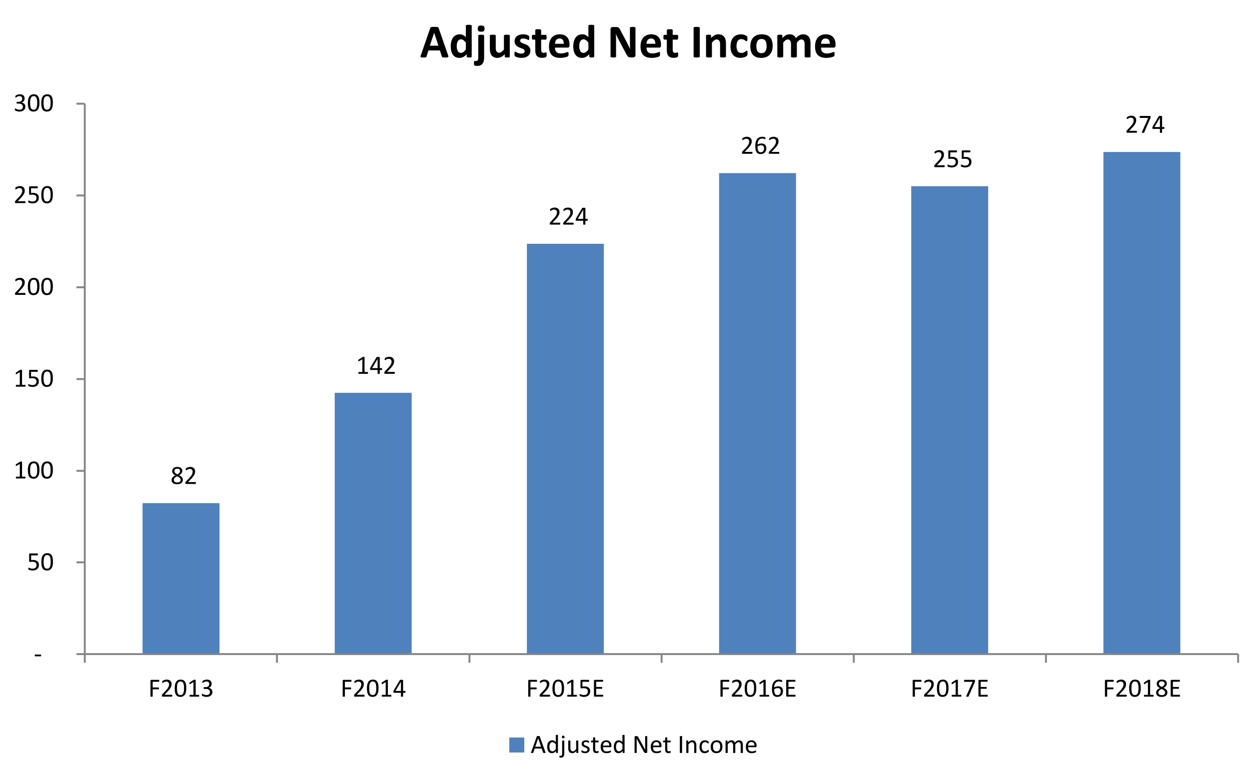
Figure 9: Catalent Reported Adjusted EBITDA and DB Forecasted Adjusted EBITDA



Source: Deutsche Bank, Company data

Our adjusted net income forecast increases faster than our adjusted EBITDA forecast for F2015, with the difference largely reflecting lower interest expense following the debt repayment and refinancing. We estimate that F2015 net interest expense will decrease by $71 million relative to F2014, reflecting $756 million in debt pay down from the IPO proceeds. Following the exercise of the underwriters' over-allotment option we forecast that Catalent will use the additional $124 million in proceeds for debt reduction, but this will be offset by expenses related to swaps on its floating debt. Our F2016 adjusted net income grows approximately in-line with our F2016 adjusted EBITDA growth. We forecast Catalent will become a US cash tax payer in F2017, impacting our forecast for adjusted net income growth in F2017 and F2018.

Figure 10: Catalent Reported Adjusted Net Income and DB Forecasted Adjusted Net Income



Source: Deutsche Bank, Company data

Our Estimates and a Word on the Numbers

We are introducing adjusted earnings estimates for Catalent of $1.84 in F2015 (ending June) and $2.06 for F2016. We note that these figures foot to the company's financial and EPS reporting, and would make the shares seem relatively inexpensive in the pharma services peer group – at 11.9x our C2015 adjusted EPS estimate of $1.89, Catalent would be the least expensive stock in our coverage universe. We note that the company makes a tax adjustment of adding back its reported tax expense for earnings purposes, and then subtracting its actual taxes paid, net of its net operating loss (NOL) utilizations to net up to a higher adjusted net earnings, and subsequent net adjusted EPS figure. Catalent is the only company in our coverage universe that currently makes this adjustment, though we have seen it from other companies before that are utilizing NOLs

We believe that investors making their own adjustments may adjust that EPS figure lower, and normalize Catalent's EPS figure by using a normal tax paying rate on a like for like pretax earnings figure compared to its peer group for the basis of valuation comparisons. When we do that, our calendar 2015 EPS figure for Catalent falls to $1.50 from $1.89. Using this earnings adjustment, this makes the current multiple paid for CTLT shares appear more in line with its peers at about 15x our "adjusted-adjusted" C2015 EPS estimate.

Share Count and Balance Sheet Notes

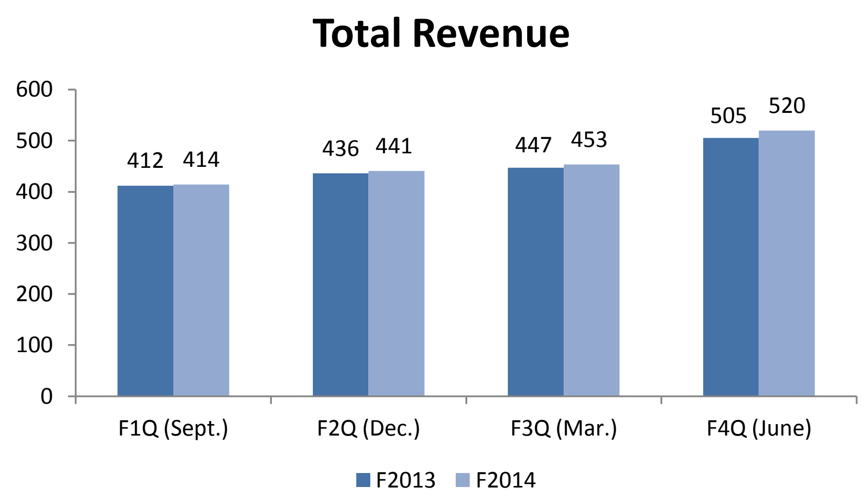
Our EPS forecasts reflect a calendar 2015 estimated diluted share count of 126.6 million average shares outstanding and a F2016 estimate diluted average share count of 127.4mm. Our share count forecast includes the additional 6.4 million share impact to the diluted share count from the IPO underwriters exercising the over-allotment option on the IPO. We estimate that the diluted share count at the start of F2Q15 will be 126 million. We forecast that Catalent will use the $124.2 million in additional IPO proceeds for deleveraging that partially offsets the impact of the higher share count to our EPS forecast, but believe the net income benefit will be offset by expenses related to Catalent entering a swap agreement to fix the net interest expense on its floating rate debt. Catalent maintained its F2015 net income forecast despite the lower interest expense because of the potential expense of a swap agreement.

Including the exercise of the underwriters' over-allotment option Catalent received net proceeds of approximately $947 million in its IPO. This was largely used to reduce debt with $756 million in debt retired following the IPO and our forecast for an additional $124 debt retirement following the over-allotment option. Catalent post IPO and underwriter option has approximately $1.78 billion in net debt and a leverage ratio of 4.1x Net Debt / LTM Adjusted EBITDA. We estimate that the net debt of $1.78B will result in F2015 net interest expense of $84 million, but a swap agreement could add approximately $6 million in expense. We forecast deleveraging going forward will come from a combination of modest debt retirement as well as organic and acquisition driven EBITDA growth.

Seasonality of Results

Catalent has a pronounced seasonality to its results, with revenue typically increasing through the fiscal year before resetting back to a lower level at the start of the following fiscal year. This reflects customer order patterns, end consumer demand, and maintenance cycles at Catalent facilities.

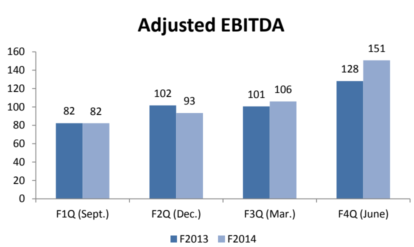
Figure 11: Quarterly Revenue



Source: Deutsche Bank

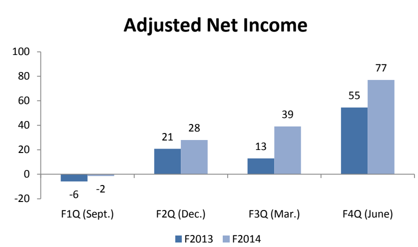
The seasonality of the revenue has an impact on both the adjusted EBITDA and the adjusted net income.

Figure 12: Quarterly Adj. EBITDA



Source: Deutsche Bank

Figure 13: Quarterly Adj. NI



Source: Deutsche Bank

Valuation Discussion

We value Catalent shares based on P/E and EV/EBITDA multiples, compared to a peer group of biopharma services and solutions providers. Our valuation of CTLT shares is based on a combination of P/E and EV/EBITDA. Our blended price target for CTLT shares is $25, based on a P/E derived valuation of $26.11 and an EV/EBITDA derived valuation of $24.55. Our P/E valuation of $26.11 is based on applying the peer group median P/E of 17.4x to our adjusted C2015 EPS estimate of $1.50. Our EV/EBITDA valuation of $24.55 is based on applying a peer group median EV/EBITDA of 9.4x to our C2015 EBITDA estimate of $474mm and adjusting for the value of Catalent's NOLs. As of June 30, 2014 the federal NOLs were $329.5 million.

Our valuation is based on a forecasted calendar 2015 share count of 126.6 million average shares outstanding. This share count forecast includes the impact of the IPO underwriters exercising the over-allotment option on the IPO. We estimate that the diluted share count at the start of F2Q15 will be 126 million. We forecast that Catalent will use the $124.2 million in additional IPO proceeds for deleveraging that partially offsets the impact of the higher share count to our blended price target calculation.

Catalent's share performance since its IPO has been strong, with shares increasing 9.7% from its IPO price of $20.50 following market close on July 30, 2014. This compares to a 1.6% increase in the S&P 500 index in the same time period.

Peer Group Selection

One of the challenges in a relative valuation analysis for Catalent is that there are no other companies that closely resemble Catelent for a peer comparison. The next four largest companies in the pharmaceutical outsourced manufacturing market that compete directly with Catalent and are the most comparable companies from a business standpoint are not publicly traded. These privately held competitors include DPx, Aenova, Famar, and Fareva. Without direct pharma CMO competitors for creation of a trading comp group, we use a blended group of pharmaceutical services companies and contract research organizations.

We believe in the outsourced pharmaceutical services industry West Pharmaceutical Services (WST-US) is the best comp for Catalent. West operates in two segments, Pharmaceutical Packaging Systems and Pharmaceutical Delivery Systems. West is similar to Catalent in that they are both leaders in their industry segment, they are full-service value-added companies, and the companies have similar market caps. Both companies also have predictable revenue streams that come from being included in their customers' FDA approval documents.

We also include Lonza Group (LONN-VX), Albany Molecular Research (AMRI-US), and Cambrex Corporation (CBM-US) in the comp group of pharmaceutical services companies. Lonza is a leading supplier to the pharmaceutical, healthcare and life sciences industries, with diversified business that includes production and support of chemical and biological active pharmaceutical ingredients. Albany Molecular is a contract research and manufacturing company focused on drug discovery, development, and manufacturing services. Cambrex provides products and services for the development of drugs, including active pharmaceutical ingredients and pharmaceutical intermediates. Cambrex entered the market for final dosage form products through its November 2010 acquisition of 51% of Zenara. These three companies participate in the pharmaceutical services industry with similar end market demand drivers as Catalent, but with slightly different business focuses and sizes for each company.

We include the CRO companies in our comp group because the industries share similarities in customer base, market share dynamics, and differentiation through scale and reputation. Catalent and the other large value added contract manufacturers have scale that is substantially greater than the second tier of companies in the industry, similar to the CROs, which makes them better partners for the largest pharmaceutical and consumer goods companies. It also means that they have the experience of working on larger projects and a broader range of experience solving the problems that can come up in product development. Catalent and the leading CROs and CMOs also offer their customers proprietary technology that differentiates them from their competitors. The best performing CMOs and CROs have delivered to clients on their commitments to quality, which is extremely important in the pharmaceutical industry and allows the leading companies to expand the scope of work they are doing for clients. The leading companies in both industries also differentiate themselves on service in terms of developing deeper partnerships with clients that allow for better integrated operations. The higher level of service is also important in time to market for both CMOs and CROs, where faster product development results in added revenue for clients. The proprietary technology, experienced employees, and client relationships make it more difficult for new entrants to gain substantial market share.

Relative to the CRO companies we believe Catalent deserves a discount owing to its slower growth profile and because we do not believe the CMO industry is seeing the same shift to outsourcing that is currently occurring in the CRO industry.

Figure 14: DB Comp Table for Catalent

						P/E		EV/EBITDA	
Company	Ticker	Share Price	Market Cap			2014	2015	2014	2015
West Pharmaceutical Services	WST	$ 44.16	3,125			24.3	21.0	13.0	10.1
Lonza Group AG (Switzerland)	LONN	$ 111.40	6,335			19.7	16.0	10.7	9.9
Cambrex	CBM	$ 22.65	695			18.6	16.8	9.1	8.2
Albany Molecular Research	AMRI	$ 20.14	654			21.3	17.7	10.5	8.8
Charles River Labs	CRL	$ 60.41	2,820			19.5	17.1	12.0	10.8
Covance	CVD	$ 84.50	4,777			22.0	19.1	10.2	9.0
Parexel	PRXL	$ 58.11	3,181			24.2	19.7	10.9	9.4
Quintiles	Q	$ 55.96	7,122			22.4	19.2	12.4	11.0
WuXi	WX	$ 36.17	2,587			19.0	16.3	--	--
Icon Plc	ICLR	$ 53.40	3,305			21.7	17.1	6.0	4.8
					Average:	21.3x	18.0x	10.5x	9.1x
					Median:	21.5x	17.4x	10.7x	9.4x
				DB adjusted EPS		P/E		EV/EBITDA	
				C2014	C2015E	2014	2015	2014	2015
Catalent	CTLT	$ 22.50	2,835	$ 1.44	$ 1.50	15.6	15.0	9.6	8.8

Source: Thomson Reuters, Deutsche Bank

For our valuation analysis we also compare the multiple we use for our Catalent valuation to the takeout multiples of companies in the contract manufacturing space. The two transactions we use in this space are the private equity acquisition of Patheon by JLL and Royal DSM that created DPx Holdings, and the carve-out acquisition of Capsugel by KKR.

Patheon was acquired for an enterprise value of $1.87 billion, which was a multiple of 10.5x the company's LTM EBITDA and 9.2x the company's projection for its forward 12 month EBITDA at the time of the acquisition. We also note that Patheon completed its acquisition of Banner at a multiple of 10.9x EV/LTM ETBIDA. Capsugel was acquired at a multiple of 11.3x EV/LTM EBITDA. These transaction multiples reflect a control premium and are in-line with or a modest premium to the peer group median EV/EBITDA multiple that we use for our CTLT price target.

We also note that Catalent acquired the Aptuit business at 10.1x EV/LTM EBITDA, and that this acquisition comprises most of the Development and Clinical Services segment at Catalent.

Based on a DCF valuation we calculate a value of ~$27 for CTLT shares. While we believe a DCF valuation is relevant for Catalent because of its stable revenue and growth expectations, we expect investors will focus on P/E and EV/EBITDA based valuations given the longer term nature of DCF analysis and thus rely on more conventional valuation multiples for our price target.

Investment Risks

We view the biggest risk to our investment thesis for Catalent as the reputational and financial risks that would come from any regulatory or quality issues at Catalent's manufacturing or research operations. Catalent's relationships with its customers, large and small, and its ability to deliver for clients in terms of technology, quality, and scale are the most important drivers of future revenue, so any regulatory or operational issues that impact Catalent's ability to deliver for clients would create a risk for our financial projections for Catalent.

Industry demand for outsourced pharmaceutical services, particularly contract drug manufacturing, could impact the revenue growth at Catalent. There is a risk to our financial forecasts for Catalent if biopharma companies do not increase their demand for outsourced manufacturing services at the rate we project. The pipeline for contract manufacturing could also be impacted by the pace of new drug launches by biopharma companies, R&D spending levels, and Catalent's market share of new drug introductions.

Catalent's ability to maintain or grow its market share is a risk to our financial forecast for the company. Catalent operates in a competitive market where market share is highly fragmented, and Catalent faces a number of competitors looking to grow market share organically and through acquisitions. Catalent's largest competitor DPx has recently increased its scale through its acquisition of Banner in December 2012 and its merger with DPP in March 2014. The Banner acquisition in particular increased the competition for Catalent in the softgels business.

If Catalent does not keep pace with technology and service offerings from competitors or with customer demand it could lose market share or miss out on potential revenue growth, particularly in biologics. The increased complexity of biopharma manufacturing relative to solid dosage and softgels makes it more important for Catalent to keep pace with new technology innovations in order to remain competitive in the contract manufacturing industry. The greater share of the biopharma market and new drug introductions that are biologics also decreases the market share advantage that Catalent has gained through its leadership in softgel technology. We believe the total prescriptions and doses that come in solid and softgels will continue to be significant as generic and mature medicines continue to sell in significant volume, but a lower share of the total industry revenue.

We view the high level of investor concentration as a risk for investing in CTLT shares. Blackstone owns greater than 50% of the CTLT shares and any selling by Blackstone could pressure the share price.

Positive risks to our investment thesis include Catalent taking share from competitors or increasing its share of new drug introductions. Any manufacturing or reputational issues at competitors could result in market share wins for Catalent. As the leader in a fragmented market, Catalent could pursue acquisitions that result in greater market share, synergies, and higher than expected growth in net income. If demand for contract drug manufacturing increases significantly faster than we model, Catalent's results could be ahead of our forecast. If Catalent gains market share through technology innovations or the shift to biologics, results could outperform our forecasts.

Figure 15: Catalent – Near Term Income Statement

Catalent, Inc.
($ in millions)

	Fiscal 2014					Fiscal 2015E					Fiscal 2016E				
	F1Q14	F2Q14	F3Q14	F4Q14	F2014	F1Q15E	F2Q15E	F3Q15E	F4Q15E	F2015E	F1Q16E	F2Q16E	F3Q16E	F4Q16E	F2016E
	30-Sep-13	31-Dec-13	31-Mar-14	30-Jun-14	30-Jun-14	30-Sep-14	31-Dec-14	31-Mar-15	30-Jun-15	30-Jun-15	30-Sep-15	31-Dec-15	31-Mar-16	30-Jun-16	30-Jun-16
Net Revenue	**414.3**	**440.7**	**453.1**	**519.6**	**1,827.7**	**414.9**	**457.4**	**479.5**	**552.0**	**1,903.9**	**442.6**	**487.9**	**511.4**	**588.3**	**2,030.1**
% growth	*0.6%*	*1.1%*	*1.4%*	*2.9%*	*1.5%*	*0.1%*	*3.8%*	*5.8%*	*6.2%*	*4.2%*	*6.7%*	*6.6%*	*6.6%*	*6.6%*	*6.6%*
Cost of sales	295.1	303.3	301.4	329.3	1,229.1	284.4	295.5	295.3	329.2	1,204.4	299.4	311.2	310.9	346.8	1,268.3
COGS % of revenues	*71.2%*	*68.8%*	*66.5%*	*63.4%*	*67.2%*	*68.5%*	*64.6%*	*61.6%*	*59.6%*	*63.3%*	*67.6%*	*63.8%*	*60.8%*	*59.0%*	*62.5%*
Gross margin	119.2	137.4	151.7	190.3	598.6	130.5	162.0	184.2	222.8	699.5	143.2	176.7	200.5	241.5	761.8
% margin	28.8%	31.2%	33.5%	36.6%	32.8%	31.5%	35.4%	38.4%	40.4%	36.7%	32.4%	36.2%	39.2%	41.0%	37.5%
% change	1.4%	-1.9%	10.4%	9.6%	5.3%	9.5%	17.9%	21.4%	17.1%	16.9%	9.7%	9.1%	8.9%	8.4%	8.9%
SG&A	81.1	87.5	87.6	78.6	334.8	89.5	103.6	106.1	99.0	398.2	95.0	110.0	112.7	104.9	422.6
% of revenue	*19.6%*	*19.9%*	*19.3%*	*15.1%*	*18.3%*	*21.6%*	*22.7%*	*22.1%*	*17.9%*	*20.9%*	*21.5%*	*22.6%*	*22.0%*	*17.8%*	*20.8%*
Impairment chares and (gain)/loss on sale of assets	-	-	0.4	2.8	3.2	-	-	-	-	-	-	-	-	-	-
Restructuring and other	3.0	5.4	3.5	7.8	19.7	-	-	-	-	-	-	-	-	-	-
Property and casualty (gain)/loss, net	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating earnings/(loss)	35.1	44.5	60.2	101.1	240.9	41.0	58.3	78.1	123.8	301.3	48.1	66.6	87.8	136.6	339.2
Depreciation and amortization	36.5	37.3	35.1	34.0	142.9	38.0	38.0	38.0	38.0	152.0	38.0	38.0	38.0	38.0	152.0
EBITDA from continuing operations	**72.7**	**83.5**	**90.5**	**127.7**	**374.4**	**79.2**	**96.5**	**116.3**	**162.0**	**448.1**	**86.3**	**104.8**	**126.0**	**174.8**	**492.0**
financing related expenses	0.1	(0.1)	0.1	10.9	11.0	-	-	-	-	-	-	-	-	-	-
Restructuring and other special items	6.7	8.2	6.1	8.8	29.8	-	-	-	-	-	-	-	-	-	-
foreign exchange loss/(gain) (included in other (income)/	(1.7)	(2.5)	4.5	(3.8)	(3.5)	-	-	-	-	-	-	-	-	-	-
Adjusted EBITDA	**82.2**	**93.4**	**106.0**	**150.7**	**432.3**	**80.3**	**97.6**	**117.4**	**163.1**	**452.5**	**87.4**	**105.9**	**127.1**	**175.9**	**496.4**
% margin	*19.8%*	*21.2%*	*23.4%*	*29.0%*	*23.7%*	*19.4%*	*21.3%*	*24.5%*	*29.6%*	*23.8%*	*19.8%*	*21.7%*	*24.9%*	*29.9%*	*24.5%*
% change	*-0.1%*	*-8.2%*	*5.4%*	*17.6%*	*4.7%*	*-2.3%*	*4.5%*	*10.7%*	*8.3%*	*4.7%*	*8.9%*	*8.5%*	*8.3%*	*7.8%*	*9.7%*
Interest expense, net	40.9	41.5	40.4	40.3	163.1	23.1	21.1	21.1	21.1	86.3	21.1	21.1	21.1	21.1	84.3
Other (income)/expense, net	(1.0)	(1.4)	5.2	7.6	10.4	-	2.0	2.0	2.0	6.0	-	-	-	-	-
Earnings from continuing operations before income taxes	(4.8)	4.4	14.6	53.2	67.4	18.0	35.3	55.0	100.8	209.0	27.1	45.6	66.8	115.5	254.9
Income tax expense (benefit)	(6.6)	23.3	6.6	26.2	49.5	5.3	10.4	16.2	29.7	61.6	8.0	13.4	19.7	34.1	75.2
income tax rate	*137.5%*	*529.5%*	*45.2%*	*49.2%*	*73.4%*	*29.5%*	*29.5%*	*29.5%*	*29.5%*	*29.5%*	*29.5%*	*29.5%*	*29.5%*	*29.5%*	*29.5%*
Earnings/(loss) from continuing operations	1.8	(18.9)	8.0	27.0	17.9	12.7	24.9	38.8	71.0	147.3	19.1	32.1	47.1	81.4	179.7
Earnings/(loss) from discontinued operations, net of tax	(0.4)	(0.6)	(1.7)	-	(2.7)	-	-	-	-	-	-	-	-	-	-
Net earnings/(loss)	1.4	(19.5)	6.3	27.0	15.2	12.7	24.9	38.8	71.0	147.3	19.1	32.1	47.1	81.4	179.7
Less: net earnings/(loss) attributable to noncontrolling in	(0.1)	(0.3)	(0.4)	(0.2)	(1.0)	(0.2)	(0.2)	(0.2)	(0.2)	(0.8)	(0.2)	(0.2)	(0.2)	(0.2)	(0.8)
Net earnings/(loss) attributable to Catalent	**1.5**	**(19.2)**	**6.7**	**27.2**	**16.2**	**12.9**	**25.1**	**39.0**	**71.2**	**148.1**	**19.3**	**32.3**	**47.3**	**81.6**	**180.5**
Adjusted Net Income															
Net Income / (loss)	**1.4**	**(19.5)**	**6.3**	**27.0**	15.2	**12.7**	**24.9**	**38.8**	**71.0**	147.3	**19.1**	**32.1**	**47.1**	**81.4**	179.7
(Earnings)/loss from discontinued operations, net of tax	0.4	0.6	1.7	-	2.7	-	-	-	-	-	-	-	-	-	-
Earnings/(loss) from continuing operations	**1.8**	**(18.9)**	**8.0**	**27.0**	17.9	**12.7**	**24.9**	**38.8**	**71.0**	147.3	**19.1**	**32.1**	**47.1**	**81.4**	179.7
Adjustmentts to Net Income / (loss)	(3.3)	46.8	31.0	50.0	124.5	13.6	17.2	19.5	26.0	76.3	14.7	17.7	21.1	29.0	82.6
Adjusted Net Income / (loss)	**(1.5)**	**27.9**	**39.0**	**77.0**	142.4	**26.3**	**42.1**	**58.3**	**97.1**	223.7	**33.8**	**49.8**	**68.2**	**110.5**	262.3
Basic weighted average shares															
Diluted weighted average shares	81.6	81.6	81.6	81.6	81.6	107.5	126.0	126.2	126.4	121.5	126.8	127.2	127.5	127.9	127.4
Basic EPS	1.40														
Diluted EPS	1.38	(0.24)	0.08	0.33	0.20	0.12	0.20	0.31	0.56	1.22	0.15	0.25	0.37	0.64	1.42
Adjusted EPS	(0.02)	0.34	0.48	0.94	1.74	0.24	0.33	0.46	0.77	1.84	0.27	0.39	0.53	0.86	2.06

Source: Deutsche Bank, Company data

Figure 16: Catalent – Near Term DB Adjusted EPS Forecast

Catalent, Inc.
($ in millions)

	Fiscal 2014					Fiscal 2015E					Fiscal 2016E				
	F1Q14	F2Q14	F3Q14	F4Q14	F2014	F1Q15E	F2Q15E	F3Q15E	F4Q15E	F2015E	F1Q16E	F2Q16E	F3Q16E	F4Q16E	F2016E
	30-Sep-13	31-Dec-13	31-Mar-14	30-Jun-14	30-Jun-14	30-Sep-14	31-Dec-14	31-Mar-15	30-Jun-15	30-Jun-15	30-Sep-15	31-Dec-15	31-Mar-16	30-Jun-16	30-Jun-16
Adjusted Net Income															
Net Income / (loss)	**1.4**	**(19.5)**	**6.3**	**27.0**	**15.2**	**12.7**	**24.9**	**38.8**	**71.0**	**147.3**	**19.1**	**32.1**	**47.1**	**81.4**	**179.7**
(Earnings)/loss from discontinued operations, net of tax	0.4	0.6	1.7	-	2.7	-	-	-	-	-	-	-	-	-	-
Earnings/(loss) from continuing operations	**1.8**	**(18.9)**	**8.0**	**27.0**	**17.9**	**12.7**	**24.9**	**38.8**	**71.0**	**147.3**	**19.1**	**32.1**	**47.1**	**81.4**	**179.7**
Adjustmentts to Net Income / (loss)	(3.3)	46.8	31.0	50.0	124.5	13.6	17.2	19.5	26.0	76.3	14.7	17.7	21.1	29.0	82.6
Adjusted Net Income / (loss)	**(1.5)**	**27.9**	**39.0**	**77.0**	142.4	**26.3**	**42.1**	**58.3**	**97.1**	223.7	**33.8**	**49.8**	**68.2**	**110.5**	262.3
Basic weighted average shares															
Diluted weighted average shares	81.6	81.6	81.6	81.6	81.6	107.5	126.0	126.2	126.4	121.5	126.8	127.2	127.5	127.9	127.4
Basic EPS	1.40														
Diluted EPS	1.38	(0.24)	0.08	0.33	0.20	0.12	0.20	0.31	0.56	1.22	0.15	0.25	0.37	0.64	1.42
Adjusted EPS	(0.02)	0.34	0.48	0.94	1.74	0.24	0.33	0.46	0.77	1.84	0.27	0.39	0.53	0.86	2.06
Calendar Year estimates							**C2014**					**C2015**			
Revenue							1,845					1,962			
Adj EBITDA							435					474			
EPS							**2.00**					**1.89**			
DB Adjusted EPS Forecast															
Adj EBITDA	82.2	93	106	151	432	80	98	117	163	452	87	106	127	176	496
- Deprec	26.3	27	24	23	100	28	28	28	28	112	29	29	29	29	116
- interest	40.9	42	40	40	163	23	21	21	21	86	21	21	21	21	84
- other exp	(1.0)	-1	5	8	10	0	2	2	2	6	0	0	0	0	0
=Adj Pretax	16.00	27	36	80	158	29	47	66	112	248	37	56	77	126	296
- taxes	4.8	8	11	24	48	9	14	20	34	74	11	17	23	38	89
= Adj NI	11.20	19	25	56	111	20	33	46	78	174	26	39	54	88	207
DB Adj EPS	**$0.14**	**$0.23**	**$0.31**	**$0.68**	**$1.36**	**$0.19**	**$0.26**	**$0.37**	**$0.62**	**$1.43**	**$0.21**	**$0.31**	**$0.42**	**$0.69**	**$1.63**
Diluted weighted average shares	81.6	81.6	81.6	81.6	81.6	107.5	126.0	126.2	126.4	121.5	126.8	127.2	127.5	127.9	127.4
							C2014					**C2015**			
							$1.44					**$1.50**			

Source: Deutsche Bank, Company data

Figure 17: Catalent – Annual Income Statement

Catalent, Inc.
($ in millions)

	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015E	Fiscal 2016E	Fiscal 2017E	Fiscal 2018E
	F2009	F2010	F2011	F2012	F2013	F2014	F2015E	F2016E	F2017E	F2018E
	30-Jun-09	30-Jun-10	30-Jun-11	30-Jun-12	30-Jun-13	30-Jun-14	30-Jun-15	30-Jun-16	30-Jun-17	30-Jun-18
Net Revenue	**1,398.8**	**1,480.4**	**1,531.8**	**1,694.8**	**1,800.3**	**1,827.7**	**1,903.9**	**2,030.1**	**2,116.0**	**2,190.8**
% growth		*5.8%*	*3.5%*	*10.6%*	*6.2%*	*1.5%*	*4.2%*	*6.6%*	*4.2%*	*3.5%*
Cost of sales	1,018.1	1,039.5	953.9	1,136.2	1,231.7	1,229.1	1,204.4	1,268.3	1,309.7	1,343.4
COGS % of revenues	*72.8%*	*70.2%*	*62.3%*	*67.0%*	*68.4%*	*67.2%*	*63.3%*	*62.5%*	*61.9%*	*61.3%*
Gross margin	380.7	440.9	577.9	558.6	568.6	598.6	699.5	761.8	806.4	847.4
% margin	0.3	29.8%	37.7%	33.0%	31.6%	32.8%	36.7%	37.5%	38.1%	38.7%
% change				-3.3%	1.8%	5.3%	16.9%	8.9%	5.8%	5.1%
SG&A	241.4	270.1	223.9	348.1	340.6	334.8	398.2	422.6	438.4	451.7
% of revenue	*17.3%*	*18.2%*	*14.6%*	*20.5%*	*18.9%*	*18.3%*	*20.9%*	*20.8%*	*20.7%*	*20.6%*
Impairment chares and (gain)/loss on sale of assets	139.4	214.8	3.6	1.8	5.2	3.2	-	-	-	-
Restructuring and other	15.4	17.7	12.5	19.5	18.4	19.7	-	-	-	-
Property and casualty (gain)/loss, net	-	-	11.6	(8.8)	-	-	-	-	-	-
Operating earnings/(loss)	(15.5)	(61.7)	353.9	198.0	204.4	240.9	301.3	339.2	368.0	395.7
Depreciation and amortization	124.5	117.7	115.5	129.7	152.2	142.9	152.0	152.0	152.0	152.0
EBITDA from continuing operations	**126.6**	**60.7**	**271.7**	**330.3**	**331.6**	**374.4**	**448.1**	**492.0**	**520.8**	**548.5**
financing related expenses	-	-	-	-	16.9	11.0	-	-	-	-
Restructuring and other special items	**15.9**	**29.3**	**38.5**	45.2	38.1	29.8	-	-	-	-
foreign exchange loss/(gain) (included in other (income)/	**(18.7)**	**(3.8)**	**25.5**	(4.6)	5.7	(3.5)	-	-	-	-
Adjusted EBITDA	**273.8**	**314.1**	**353.9**	**388.4**	**412.7**	**432.3**	**452.5**	**496.4**	**525.2**	**552.9**
% margin	*19.6%*	*21.2%*	*23.1%*	*22.9%*	*22.9%*	*23.7%*	*23.8%*	*24.5%*	*24.8%*	*25.2%*
% change				*9.7%*	*6.3%*	*4.7%*	*4.7%*	*9.7%*	*5.8%*	*5.3%*
Interest expense, net	182.0	161.0	165.5	183.2	203.2	163.1	86.3	84.3	84.3	84.3
Other (income)/expense, net	(17.0)	(7.3)	26.0	(3.8)	25.1	10.4	6.0	-	-	-
Earnings from continuing operations before income taxes	(180.5)	(215.4)	162.4	18.6	(23.9)	67.4	209.0	254.9	283.7	311.4
Income tax expense (benefit)	17.0	21.9	23.7	16.5	24.1	49.5	61.6	75.2	86.5	96.5
income tax rate	*-9.4%*	*-10.2%*	*14.6%*	*88.7%*	*-100.8%*	*73.4%*	*29.5%*	*29.5%*	*30.5%*	*31.0%*
Earnings/(loss) from continuing operations	(197.5)	(237.3)	138.7	2.1	(48.0)	17.9	147.3	179.7	197.1	214.9
Earnings/(loss) from discontinued operations, net of tax	(111.2)	(49.7)	(21.0)	(41.3)	1.2	(2.7)	-	-	-	-
Net earnings/(loss)	(308.7)	(287.0)	117.7	(39.2)	(46.8)	15.2	147.3	179.7	197.1	214.9
Less: net earnings/(loss) attributable to noncontrolling in	(0.6)	2.6	3.9	1.2	(0.1)	(1.0)	(0.8)	(0.8)	(0.8)	(0.8)
Net earnings/(loss) attributable to Catalent	**(308.1)**	**(289.6)**	**(29.1)**	**(40.4)**	**(46.7)**	**16.2**	**148.1**	**180.5**	**197.9**	**215.7**
Adjusted Net Income										
Net Income / (loss)					**(46.8)**	**15.2**	**147.3**	**179.7**	**197.1**	**214.9**
(Earnings)/loss from discontinued operations, net of tax					(1.2)	2.7	-	-	-	-
Earnings/(loss) from continuing operations					**(48.0)**	**17.9**	**147.3**	**179.7**	**197.1**	**214.9**
Adjustmentts to Net Income / (loss)					(4.1)	124.5	76.3	82.6	-	-
Adjusted Net Income / (loss)	-	-	-		82.4	142.4	223.7	262.3	255.0	273.7
Basic weighted average shares										
Diluted weighted average shares	81.6	81.6	81.6	81.6	81.6	81.6	121.5	127.4	128.9	131.2
Basic EPS										
Diluted EPS						0.20	1.22	1.42	1.54	1.64
Adjusted EPS						1.74	1.84	2.06	1.98	2.09

Source: Deutsche Bank, Company data

Figure 18: Catalent – Balance Sheet

Catalent, Inc.
($ in millions)

	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014					Fiscal 2015E					Fiscal 2016E	Fiscal 2017E	Fiscal 2018E
	F2009	F2010	F2011	F2012	F2013	F1Q14	F2Q14	F3Q14	F4Q14	F2014	F1Q15E	F2Q15E	F3Q15E	F4Q15E	F2015E	F2016E	F2017E	F2018E
	30-Jun-09	30-Jun-10	30-Jun-11	30-Jun-12	30-Jun-13	30-Sep-13	31-Dec-13	31-Mar-14	30-Jun-14	30-Jun-14	30-Sep-14	31-Dec-14	31-Mar-15	30-Jun-15	30-Jun-15	30-Jun-16	30-Jun-17	30-Jun-18
Assets																		
Current Assets:																		
Cash and cash equivalents	63.9	164.0	205.1	139.0	106.4	95.8	64.2	55.7	74.4	74.4	77.2	125.1	160.3	159.9	159.9	370.2	599.0	845.7
Trade receivables, net	252.4	236.7	262.1	338.3	358.0	295.0	317.3	344.2	403.7	403.7	315.0	347.4	364.1	419.2	419.2	446.7	465.5	481.7
Inventories	182.0	136.5	130.8	118.7	124.9	133.1	140.3	155.0	134.8	134.8	132.8	146.4	153.5	176.7	176.7	188.3	196.2	203.0
Prepaid expenses and other	107.7	145.3	159.7	108.7	88.6	92.8	90.3	72.5	74.6	74.6	66.4	73.2	76.7	88.3	88.3	94.1	98.1	101.5
Total Current Assets	606.0	682.5	757.7	704.7	677.9	616.7	612.1	627.4	687.5	687.5	591.4	692.0	754.6	844.0	844.0	1,099.3	1,358.7	1,631.9
Property, plant and equipment, net	810.4	719.4	721.3	809.7	814.5	827.3	838.2	837.6	873.0	873.0	874.2	875.3	876.5	877.7	877.7	882.4	887.1	891.8
Other Assets:																		
Goodwill	1,082.7	848.9	906.0	1,029.9	1,023.4	1,051.7	1,081.5	1,088.3	1,097.1	1,097.1	1,097.1	1,097.1	1,097.1	1,097.1	1,097.1	1,097.1	1,097.1	1,097.1
Other intangibles, net	396.5	296.6	286.7	417.7	372.2	372.9	371.1	363.3	357.6	357.6	347.9	338.2	328.4	318.7	318.7	279.5	240.2	200.6
Deferred income taxes, net	184.4	138.3	114.8	135.2	132.2	134.0	130.9	132.2	26.3	26.3	21.0	23.2	24.3	27.9	27.9	29.8	31.0	32.1
Other	51.8	41.7	44.7	41.8	36.6	39.0	39.1	42.2	48.7	48.7	48.7	48.7	48.7	48.7	48.7	48.7	48.7	48.7
Total Assets	3,131.8	2,727.4	2,831.2	3,139.0	3,056.8	3,041.6	3,072.9	3,091.0	3,090.2	3,090.2	2,980.2	3,074.4	3,129.6	3,214.1	3,214.1	3,436.7	3,662.8	3,902.3
Liabilities and Shareholders' Deficit																		
Current Liabilities:																		
Current portion of long-term obligations and	64.2	30.2	28.6	43.2	35.0	30.0	59.2	27.2	25.2	25.2	33.1	33.1	33.1	33.1	33.1	33.1	33.1	33.1
Accounts payable	127.0	120.3	123.7	134.2	150.8	124.8	120.5	130.3	148.1	148.1	129.3	134.4	134.3	149.7	149.7	157.7	162.9	167.1
Other accrued liabilities	195.3	231.5	233.2	261.9	224.5	193.7	226.3	255.8	279.7	279.7	318.5	368.8	377.7	352.2	352.2	373.2	386.7	397.9
Total Current Liabilities	386.5	382.0	385.5	439.3	410.3	348.5	406.0	413.3	453.0	453.0	480.9	536.2	545.1	535.0	535.0	564.0	582.7	598.2
Long-term obligations, less current portion	2,283.1	2,239.8	2,318.0	2,640.3	2,656.6	2,673.7	2,671.6	2,674.0	2,685.4	2,685.4	1,760.1	1,760.1	1,760.1	1,760.1	1,760.1	1,760.1	1,760.1	1,760.1
Pension liability	104.7	100.6	78.5	140.3	134.1	135.7	135.2	134.5	154.7	154.7	154.2	153.7	153.2	152.7	152.7	150.7	148.7	146.7
Deferred income taxes	236.6	198.7	192.7	219.9	219.1	216.8	215.7	213.1	103.2	103.2	82.4	90.9	95.2	109.6	109.6	116.8	121.8	126.0
Other liabilities	40.4	69.8	66.4	49.9	47.0	49.0	53.6	52.0	61.2	61.2	48.9	53.9	56.5	65.0	65.0	69.3	72.2	74.7
Redeemable noncontrolling interest	-	-	-	-	-	4.9	4.7	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
Shareholders' equity / (deficit):																		
Common stock	-	-	-	-	-	-	-	-	0.7	1	0.7	0.7	0.7	0.7	1	1	1	1
Additional paid in capital	1,071.0	1,074.2	1,082.0	1,023.9	1,027.4	1,028.6	1,029.9	1,031.0	1,031.4	1,031	1,986.2	1,986.2	1,986.2	1,986.2	1,986	1,986	1,986	1,986
Accumulated deficit	(998.1)	(1,287.7)	(1,341.7)	(1,382.1)	(1,428.8)	(1,427.3)	(1,446.5)	(1,439.8)	(1,379.1)	(1,379)	(1,512.9)	(1,486.9)	(1,447.1)	(1,374.9)	(1,375)	(1,191)	(989)	(770)
Accumulated other comprehensive income/	4.5	(48.5)	46.0	7.5	(9.3)	11.8	2.5	8.8	(24.2)	(24.2)	(24.2)	(24.2)	(24.2)	(24.2)	(24.2)	(24.2)	(24.2)	(24.2)
Total Catalent shareholders' equity/(defi	77.4	(262.0)	(213.7)	(350.7)	(410.7)	(386.9)	(414.1)	(400.0)	(371.2)	(371)	449.8	475.8	515.6	587.8	588	772	973	1,193
Noncontrolling interest	3.1	(1.5)	3.8	-	0.4	(0.1)	0.2	(0.4)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)
Total shareholders' deficit	80.5	(263.5)	(209.9)	(350.7)	(410.3)	(387.0)	(413.9)	(400.4)	(371.8)	(372)	449.2	475.2	515.0	587.2	587	771	973	1,192
Total Liabilities and Shareholders' Deficit	3,131.8	2,727.4	2,831.2	3,139.0	3,056.8	3,041.6	3,072.9	3,091.0	3,090.2	3,090	2,980.2	3,074.4	3,129.6	3,214.1	3,214	3,437	3,663	3,902

Source: Deutsche Bank, Company data

Figure 19: Catalent – Cash Flow Statement

Catalent, Inc.

($ in millions)

	Fiscal 2011	Fiscal 2012	Fiscal 2013	Fiscal 2014					Fiscal 2015E					Fiscal 2016E	Fiscal 2017E	Fiscal 2018E
	F2011	F2012	F2013	F1Q14	F2Q14	F3Q14	F4Q14	F2014	F1Q15E	F2Q15E	F3Q15E	F4Q15E	F2015E	F2016E	F2017E	F2018E
	30-Jun-11	30-Jun-12	30-Jun-13	30-Sep-13	31-Dec-13	31-Mar-14	30-Jun-14	30-Jun-14	30-Sep-14	31-Dec-14	31-Mar-15	30-Jun-15	30-Jun-15	30-Jun-16	30-Jun-17	30-Jun-18
Cash Flows from Operating Activities:																
Net earnings/(loss)	(50.1)	(39.2)	(46.8)	1.4	(19.5)	6.3	27.0	15.2	12.7	24.9	38.8	71.0	147.3	179.7	197.1	214.9
Net earnings/(loss) from discontinued operations	(21.0)	(41.3)	1.2	(0.4)	(0.6)	(1.7)	-	(2.7)	-	-	-	-	-	-	-	-
Net earnings/(loss) from continuing operations	(29.1)	2.1	(48.0)	1.8	(18.9)	8.0	27.0	17.9	12.7	24.9	38.8	71.0	147.3	179.7	197.1	214.9
Adjustments to reconcile (loss)/earnings from continued operations to net cash from operations:																
Depreciation and amortization	115.5	129.7	152.2	36.5	37.3	35.1	34.0	142.9	38.8	38.9	39.0	39.0	155.7	156.5	157.4	158.2
Non-cash foreign currency transaction (gains)/losses, net	13.2	(3.7)	6.6	(4.0)	(3.8)	2.2	(12)	(17.1)	-	-	-	-	-	-	-	-
Amortization and write off of debt financing costs	10.0	14.7	19.0	3.1	3.0	2.5	5.4	14.0	-	-	-	-	-	-	-	-
Asset impairments and (gain)/loss on sale of assets	3.6	9.8	5.2	-	-	0.4	2.8	3.2	-	-	-	-	-	-	-	-
Proceeds from insurance related to long lived assets	-	(21.3)	-	-				-					-	-	-	-
Call premium and financing fees paid	-	-	10.8	-			7.2	7.2					-	-	-	-
Equity compensation	3.9	3.7	2.8	1.2	1.1	1.1	1.1	4.5	1.1	1.1	1.1	1.1	4.4	4.4	4.4	4.4
Provision/(benefit) for deferred income taxes	6.5	(2.8)	5.4	(5.3)	1.4	(4.2)	(7.0)	(15.1)	-	-	-	-	-	-	-	-
Provision for bad debts and inventory	9.5	9.5	10.4	1.9	2.0	0.6	5.3	9.8	-	-	-	-	-	-	-	-
Changes in operating assets and liabilities:								-					-	-	-	-
Decrease/(increase) in trade receivables	(18.9)	(64.9)	(23.6)	67.8	(20.1)	(25.9)	(59.8)	(38.0)	88.7	(32.3)	(16.8)	(55.1)	(15.5)	(27.5)	(18.8)	(16.2)
Decrease/(increase) in inventories	(2.0)	1.4	(10.5)	(4.0)	(6.9)	(16.1)	18.5	(8.5)	2.0	(13.6)	(7.1)	(23.2)	(41.9)	(11.6)	(7.9)	(6.8)
Increase/(decrease) in accounts payable	(3.5)	7.7	17.9	(30.1)	(5.4)	10.2	17.7	(7.6)	(18.8)	5.1	(0.1)	15.4	1.6	8.0	5.2	4.2
Other accrued liabilities and operating items, net	2.9	1.8	(9.1)	(43.2)	26.1	39.8	44.3	67.0	19.2	54.7	11.2	(17.9)	67.4	24.9	16.1	13.5
Net cash provided by/(used in) operating activities from continuing operations	111.6	87.7	139.1	25.7	15.8	53.7	85.0	180.2	143.7	78.7	66.2	30.4	319.1	334.4	353.5	372.1
Net cash provided by/(used in) operating activities from discontinued operations	(11.9)	0.2	(1.4)	(0.5)	(0.6)	(0.8)	-	(1.9)	-	-	-	-	-	-	-	-
Net cash provided by/(used in) operating activities	99.7	87.9	137.7	25.2	15.2	52.9	85.0	178.3	143.7	78.7	66.2	30.4	319.1	334.4	353.5	372.1
Cash Flows from Investing Activities:																
Acquisition of property and equipment and other productive assets	(87.3)	(104.2)	(122.5)	(18.8)	(21.0)	(22.2)	(60.4)	(122.4)	(30.3)	(30.3)	(30.4)	(30.4)	(121.5)	(122.1)	(122.8)	(123.4)
Proceeds from sale of property and equipment	4.0	2.2	2.9	0.6	0.2	-	0	0.9	-	-	-	-	-	-	-	-
Payment for acquisitions, net	-	(457.5)	(2.5)	(8.0)	(43.0)	(2.5)	(0.2)	(53.7)	-	-	-	-	-	-	-	-
Net cash provided by/(used in) investing activities from continuing operations	(83.3)	(538.2)	(122.1)	(26.2)	(63.8)	(24.7)	(60.5)	(175.2)	(30.3)	(30.3)	(30.4)	(30.4)	(121.5)	(122.1)	(122.8)	(123.4)
Net cash provided by/(used in) investing activities from discontinued operations	32.9	43.7	-	-	4.0	-	-	4.0	-	-	-	-	-	-	-	-
Net cash provided by/(used in) investing activities	(50.4)	(494.5)	(122.1)	(26.2)	(59.8)	(24.7)	(60.5)	(171.2)	(30.3)	(30.3)	(30.4)	(30.4)	(121.5)	(122.1)	(122.8)	(123.4)
Cash Flows from Financing Activities:																
Net change in short-term borrowings	(3.3)	(2.9)	(3.9)	(5.8)	20.8	(32.2)	(0.3)	(17.5)	7.9	-	-	-	7.9	-	-	-
Payments related to revolver credit facility fees	-	(1.6)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds from Borrowing, net	-	393.3	672.7	-	0.7	-	1,723.0	1,723.7	-	-	-	-	-	-	-	-
Payments related to long-term obligations	(24.1)	(37.0)	(708.5)	(6.7)	(8.5)	(4.8)	(1,721.3)	(1,741.3)	(926)	(1)	(1)	(1)	(927.3)	(2.0)	(2.0)	(2.0)
Call premum and financing fees paid	(2.6)	-	(10.8)	-	-	-	(7.2)	(7.2)	-	-	-	-	-	-	-	-
Distribution to noncontrolling interest holder	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity contribution/(redemption)	3.9	1.1	1.2	-	0.2	-	-	0.2	807	-	-	-	807.2	-	-	-
Net cash (used in)/provided by financing activities from continuing operations	(26.1)	352.9	(49.3)	(12.5)	13.2	(37.0)	(5.8)	(42.1)	(110.7)	(0.5)	(0.5)	(0.5)	(112.2)	(2.0)	(2.0)	(2.0)
Net cash (used in)/provided by financing activities from discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net cash (used in)/provided by financing activities	(26.1)	352.9	(49.3)	(12.5)	13.2	(37.0)	(5.8)	(42.1)	(110.7)	(0.5)	(0.5)	(0.5)	(112.2)	(2.0)	(2.0)	(2.0)
Effect of foreign currency on cash	17.9	(12.4)	1.1	2.9	(0.2)	0.3	-	3.0	0	0	0	0	-	-	-	-
Net Increase/(Decrease) in Cash and Equivalents	41.1	(66.1)	(32.6)	(10.6)	(31.6)	(8.5)	18.7	(32.0)	2.7	47.9	35.3	(0.5)	85.4	210.3	228.8	246.7
Cash and Equivalents at Beginning of Period	164.0	205.1	139.0	106.4	95.8	64.2	55.7	106.4	74.4	77.1	125.0	160.3	74.4	159.8	370.1	598.9
Cash and Equivalents at End of Period	205.1	139.0	106.4	95.8	64.2	55.7	74.4	74.4	77.1	125.0	160.3	159.8	159.8	370.1	598.9	845.6

Source: Deutsche Bank, Company data

Figure 20: Catalent – Discount Cash Flow Model

Catalent, Inc. -- Discounted Cash Flow model							
Fiscal Year	2015	2016	2017	2018	2019	2020	Terminal Yr W/Term. Mgn.
Revenue							
Total Revenue	**$1,904**	**$2,030**	**$2,116**	**$2,191**	**$2,235**	**$2,279**	**$2,302**
Y/Y growth	NA	6.6%	4.2%	3.5%	2.0%	2.0%	1.0%
EBITDA	**$452**	**$496**	**$525**	**$553**	**$570**	**$581**	**$587**
% of Revenues	23.8%	24.5%	24.8%	25.2%	25.5%	25.5%	25.5%
y-y increase	NA	9.7%	5.8%	5.3%	3.1%	2.0%	1.0%
Less: D&A	($152)	($152)	($152)	($152)	($155)	($158)	($160)
% of Revenues	-8.0%	-7.5%	-7.2%	-6.9%	-6.9%	-6.9%	-6.9%
EBIT	**$300**	**$344**	**$373**	**$401**	**$415**	**$423**	**$427**
% of Revenues	15.8%	17.0%	17.6%	18.3%	18.6%	18.6%	18.6%
y-y Increase	NA	14.6%	8.3%	7.4%	3.5%	2.0%	1.0%
Less: Income taxes	(99)	(114)	(123)	(132)	(137)	(140)	(141)
EBIT*(1-t)	**$201**	**$231**	**$250**	**$269**	**$278**	**$283**	**$286**
Plus: D&A	$152	$152	$152	$152	$155	$158	$160
% of Revenues	8.0%	7.5%	7.2%	6.9%	6.9%	6.9%	6.9%
Less: Additions to property and equipment	($121)	($122)	($123)	($123)	($126)	($128)	($130)
% of Revenues	-6.4%	-6.0%	-5.8%	-5.6%	-5.6%	-5.6%	-5.6%
Less: Change in Net Working Capital	$3	($16)	($12)	($11)	($11)	($11)	($12)
% of Revenues	0.2%	-0.8%	-0.6%	-0.5%	-0.5%	-0.5%	-0.5%
Unlevered FCF	**$235**	**$245**	**$267**	**$286**	**$296**	**$302**	**$305**
% growth		4%	9%	7%	3%	2%	1%

Terminal Value	
Terminal Multiple = (1-Terminal Growth Rate)/(WACC-Terminal Growth	**12.0x**
Terminal Multiple discounted to current	**6.8x**
Perpetuity Growth Rate	**1.00%**

	2015	2016	2017	2018	2019	2020	Terminal Yr
Valuation Date	08/08/14	08/08/14	08/08/14	08/08/14	08/08/14	08/08/14	08/08/14
Flow Date	12/31/14	12/31/15	12/30/16	12/30/17	12/30/18	12/31/19	12/30/20
Discount Period	**0.40**	**1.40**	**2.40**	**3.40**	**4.40**	**5.40**	**6.40**
PV of Unlevered FCF	$227	$216	$216	$212	$200	$187	$173
Terminal Value Using Discounted Term. Multiple							$3,729
Total Discounted FCF	$227	$216	$216	$212	$200	$187	$3,902

Present Value of FCF:	
Enterprise Value	$5,160
Less: Total Debt	($1,793)
Plus: Cash	$77
Equity Value	$3,444
Diluted Shares Outstanding	127.0
DCF Price / Share	**$27.12**
Current share price	**$22.50**
Return to Target	20.5%
WACC	**9.25%**
Cost of Equity	
Ke	**13.0%**
Risk-Free Rate	2.5%
Equity Risk Premium	6.0%
Beta	1.75
Proportion of Equity	61.4%
Market Cap (in mm)	$2,858
Cost of Debt	
Kd	**3.4%**
Marginal cost of long term debt	5.0%
Tax Rate	33.0%
Proportion of Debt	38.6%
Total Debt (fwd est.)	$1,793

DCF Sensitivities

Discount Rate	*Terminal FCF Growth Rate*				
	0.0%	0.5%	1.0%	1.5%	2.0%
8.3%	$27	$29	$32	$34	$37
8.8%	$25	$27	$29	$32	$34
9.3%	$24	$25	**$27**	$29	$32
9.8%	$22	$24	$25	$27	$29
10.3%	$21	$22	$24	$25	$27

Source: Deutsche Bank

Appendix 1

Important Disclosures

Additional information available upon request

Disclosure checklist

Company	Ticker	Recent price*	Disclosure
Catalent	CTLT.N	22.50 (USD) 8 Sep 14	1,7,8

*Prices are sourced from local exchanges via Reuters, Bloomberg and other vendors. Data is sourced from Deutsche Bank and subject companies

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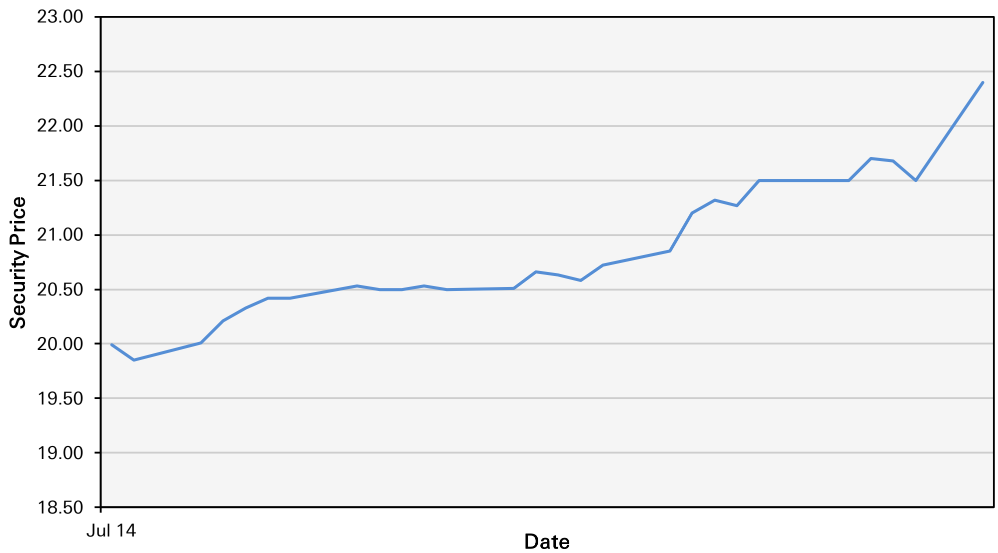
Historical recommendations and target price: Catalent (CTLT.N)

(as of 9/8/2014)



Previous Recommendations

Strong Buy
Buy
Market Perform
Underperform
Not Rated
Suspended Rating

Current Recommendations

Buy
Hold
Sell
Not Rated
Suspended Rating

*New Recommendation Structure as of September 9,2002

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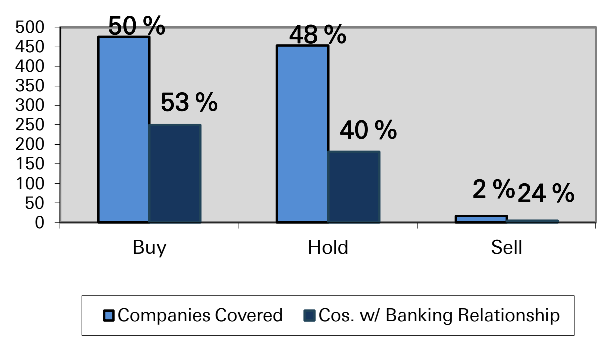
Equity rating dispersion and banking relationships



North American Universe

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