

## Catalent, Inc.

### First-Quarter Analysis; Solid Results Obscured by Below-the-Line Items, Underlying Business Better Than Expected

#### Conclusion

- On Thursday evening, November 13, Catalent reported fiscal first-quarter results that beat our estimates and the consensus at the operating level, but came in 4 cents below our model and 7 cents below consensus at the EPS line because of items below the line. While revenue (1 cent) and adjusted margin (4 cents) came in well ahead of our expectations, higher interest expense (3 cent headwind) and a higher cash tax rate (7 cent headwind) pressured the bottom line.
- Management also announced the acquisition of Micron Technologies, a provider of particle size engineering technologies that further expands Catalent's leading suite of solutions to improve a drug's bioavailability. Particle size engineering is typically employed in the preclinical or Phase I stage of development—well before Catalent usually competes for a new molecule. We expect the pace of M&A to pick up at Catalent now that the balance sheet has been partly de-leveraged.
- Management reiterated full-year top- and bottom-line guidance despite a 3% foreign exchange headwind to both revenue and adjusted EBITDA. This implies that underlying operating performance is ahead of previous expectations by about 2% on the top line. Given the solid results and consistent guidance, we are making only modest changes to our model. We now expect fiscal 2015 EPS of \$1.78 (down 6% from fiscal 2014), which is unchanged from our previous model on \$1.89 million in revenue (up 3.5% and up \$30 million from our previous model). We are pleased with these results in the face of a stronger dollar and reiterate our Outperform rating on Catalent at current levels.

#### Key Issues and Model Adjustments

- Revenue Above Expectations.** First-quarter revenue of \$418 million came in \$11 million ahead of our expectations driven by stronger results in the oral technologies business (about \$5 million ahead of our estimate) and medication delivery solutions (about \$7 million ahead). The development and clinical services segment was in line with our expectations. There were puts and takes in each business, including slow growth in the oral technologies business due to the ongoing mix shift toward consumer (as opposed to pharmaceutical) products, slow growth in injectables due to a slower flu season, and lighter bookings in the development and analytical services unit. These were offset by better results in the blow-fill-seal segment as well as controlled release products. Overall, revenue growth was in the low single digits versus our estimate of a 2% decline.

For the remainder of the fiscal year, the underlying trends seem to be a bit better than expected as guidance was maintained in spite of the 3% headwind from foreign exchange. For the year, we now model \$1.89 billion in revenue (up 3.5% as reported or 5.7% on an organic constant-currency basis), which is up from \$1.86 billion previously (up 1.5% as reported and 2.2% on an organic constant-dollar basis).

*Catalent is the world's leading provider of advanced delivery technologies to the pharmaceutical industry. The company was purchased by The Blackstone Group in 2007 from Cardinal Health and is based originally on R.P. Scherer's softgel manufacturing technology patented in 1934. The company operates in 27 facilities in five continents, and manufactures more than 70 billion doses of medication annually.*

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November 14, 2014

Stock Rating: **Outperform**  
Company Profile: **Established Growth**

Symbol: CTLT (NYSE)  
Price: \$23.81 (52-Wk.: \$19-\$26)  
Market Value (mil.): \$2,793  
Fiscal Year End: June  
Long-Term EPS Growth Rate: 11%  
Dividend/Yield: None

		2014	2015E	2016E
<b>Estimates</b>				
EPS	Q1	A\$-0.02	A\$0.13	NA
	Q2	A\$0.37	\$0.32	NA
	Q3	A\$0.52	\$0.47	NA
	Q4	A\$1.01	\$0.82	NA
	FY	A\$1.89	\$1.78	\$1.92
	CY	E\$1.97	\$1.89	\$2.00
<b>Valuation</b>				
FY P/E		12.6x	13.4x	12.4x
CY P/E		12.1x	12.6x	11.9x

<b>Trading Data (FactSet)</b>	
Shares Outstanding (mil.)	124
Float (mil.)	117
Average Daily Volume	876,833

<b>Financial Data (FactSet)</b>	
Long-Term Debt/Total Capital (MRQ)	0.0
Book Value Per Share (MRQ)	-5.0
Return on Equity (TTM)	0.0

#### Two-Year Price Performance Chart



Sources: FactSet, William Blair & Company estimates

- **Operating Margin.** Adjusted EBITDA margin of 19.9% was 80 basis points ahead of our expectations, driven by 200 basis points of outperformance in gross margin, partly offset by an SG&A expense ratio that was 120 basis points higher than we expected. For the balance of the year, adjusted EBITDA guidance calling for \$450 million to \$460 million remains unchanged despite a similar foreign exchange headwind to the top line. We believe margin will improve sequentially throughout the year, in line with typical seasonal patterns. We model fiscal 2015 adjusted EBITDA margin of 24.2%, up from 23.7% in fiscal 2014 and up from 23.9% in our previous model.
- **M&A.** In addition to the solid operating results, Catalent announced the acquisition of Micron Technologies, a provider of early stage manufacturing and analytical services. The company will be slotted into the discovery and clinical services segment and while it is not expected to be a material contributor to revenue or EBITDA in the near term, it is a strategically important asset in that it allows Catalent to engage sponsors earlier in the drug development process (preclinical versus Phase III currently), increasing the chances of a long-term relationship. As mentioned above, Micron's ability to reduce a particle's size adds another tool that Catalent can offer to improve a drug's solubility challenges (along with softgels and OptiMelt). Micron's annualized revenue contribution is roughly \$18 million at present (1% of revenue), although it sounds like this addition could prove to be another driver of oral technologies revenue longer term. We expect more deals like Micron and Redwood in the coming quarters, as the company takes advantage of a strengthened balance sheet. On the call, management communicated being comfortable increasing leverage to as much as 5.5 times EBITDA (compared with 4.0 times today) should the right asset become available.

## Valuation and Stock Thoughts

- Following the relatively minor changes to our model, CTLT now trades at 18.6 times our fully taxed calendar 2015 EPS estimate of \$1.28 (or 12.6 times on an adjusted basis). On an EV/EBITDA basis, the stock trades at 10.1 times our revised 2015 expectation. Comparatively, the CRO peer group trades at 19.5 times (18.2 times excluding Covance [CVD \$100.53; Market Perform]) and 10.8 times EV/EBITDA (10.6 times excluding Covance). Given the solid fundamentals and favorable valuation relative to the CRO peers, we believe the stock is quite attractive and reiterate our Outperform rating. Our updated model and several exhibits detailing results relative to our expectations are summarized below.

## Exhibit 1. Guidance Relative to Previous Expectations

	Fiscal 2015 Guidance	Fiscal 2015 Estimates		
		WB - Prior to Call	WB - As Revised	Consensus - Prior to Call
Revenue (\$M)	\$1,890 to \$1,920	\$1,860	\$1,891	\$1,898
Growth	3.4% to 5.0%	1.7%	3.4%	3.8%
Adjusted Net Income	\$215 to \$225	\$215.60	\$215.30	NA
Growth (decline)	51% to 58%	51.40%	51.2%	NA

Sources: William Blair estimates, FactSet, and company reports

## Exhibit 2. Fiscal First-Quarter EPS Performance Relative to William Blair Expectations

Revenues	\$ 0.012
Gross Profit	\$ 0.066
SG&A	\$ (0.038)
Depreciation	\$ 0.015
Net interest income (expense)	\$ (0.027)
Taxes	\$ (0.069)
Share Count	\$ 0.002
<b>Total</b>	<b>\$ (0.040)</b>

Sources: William Blair estimates and company reports

### Exhibit 3. Fiscal First-Quarter Variance

November 13, 2014						
	1Q FY15 (Actual)	1Q FY14 (Actual)	Year/Year % Change	1Q FY15 (Estimate)	Year/Year % Change	Change
Net revenues	\$ 418.3	\$ 414.3	1.0%	\$ 407.0	-1.8%	11.35
Cost of revenue	<u>272.90</u>	<u>277.2</u>	-1.6%	<u>273.7</u>	-1.3%	(0.77)
<b>Gross profit</b>	<b>145.40</b>	<b>137.1</b>	<b>6.1%</b>	<b>133.3</b>	<b>-2.8%</b>	12.12
SG&A	62.00	54.9	12.9%	55.8	1.5%	6.25
<b>EBITDA</b>	<b>83.40</b>	<b>82.2</b>	<b>1.5%</b>	<b>77.5</b>	<b>-5.7%</b>	5.87
Depreciation	23.70	26.2	-9.5%	24.8	-5.3%	(1.12)
<b>EBITA</b>	<b>59.70</b>	<b>56.0</b>	<b>6.6%</b>	<b>52.7</b>	<b>-5.9%</b>	6.99
Net interest income (expense)	(35.50)	(41.0)	-13.4%	(32.1)	-21.7%	(3.41)
<b>Pretax income</b>	<b>24.20</b>	<b>15.0</b>	<b>61.3%</b>	<b>20.6</b>	<b>37.5%</b>	3.58
Income tax expense	10.80	16.5	-34.5%	2.9	-82.5%	7.92
<b>Adjusted Net income</b>	<b>13.40</b>	<b>(1.5)</b>	<b>-993.3%</b>	<b>17.7</b>	<b>NM</b>	(4.34)
<b>GAAP Net Income</b>	<b>(19.9)</b>	<b>1.3</b>	<b>-1631.5%</b>	<b>6.9</b>	<b>NM</b>	(26.85)
Diluted shares outstanding	105.54	74.8	41.1%	107.4	43.6%	(1.86)
<b>Adjusted EPS</b>	<b>\$ 0.13</b>	<b>\$ (0.02)</b>	<b>-733.2%</b>	<b>\$ 0.17</b>	<b>NM</b>	(0.04)
<b>GAAP EPS</b>	<b>\$ (0.19)</b>	<b>\$ 0.02</b>	<b>-1185.5%</b>	<b>\$ 0.06</b>	<b>271.8%</b>	(0.25)
Gross profit	34.8%	33.1%	1.7%	32.8%	-0.3%	
SG&A	14.8%	13.3%	1.6%	13.7%	0.4%	
<b>EBITDA</b>	<b>19.9%</b>	<b>19.8%</b>	<b>0.1%</b>	<b>19.1%</b>	<b>-0.8%</b>	
Depreciation	5.7%	6.3%	-0.7%	6.1%	-0.2%	
EBITA	14.3%	13.5%	0.8%	13.0%	-0.6%	
Pretax income	5.8%	3.6%	2.2%	5.1%	1.4%	
Tax rate	44.6%	110.0%	-65.4%	14.0%	-96.0%	
Adjusted Net Income	3.2%	-0.4%	3.6%	4.4%	4.7%	
GAAP Net Income	-4.8%	0.3%	-5.1%	1.7%	1.4%	
<u>Segment Breakdown</u>	1Q FY15 (Actual)	1Q FY14 (Actual)	Year/Year % Change	1Q FY15 # # (Estimate) #	Year/Year # % Change	
Oral Tech Revenue	261.1	258.9	0.8%	256.3	-1.0%	4.80
Oral Tech EBITDA	57.7	60.4	-4.5%	59.0	-2.3%	(1.30)
% margin	22.1%	23.3%	-1.2%	23.0%	-0.3%	-0.9%
Medication Delivery Solutions Revenue	56.9	56.5	0.7%	49.7	-12.0%	7.20
Medication Delivery Solutions EBITDA	9.9	8.2	20.7%	8.7	6.1%	1.20
% margin	17.4%	14.5%	2.9%	17.5%	3.0%	-0.1%
Development & Clinical Services Revenue	103.1	101.0	2.1%	103.0	2.0%	0.10
Development & Clinical Services EBITDA	21.4	15.7	36.3%	16.5	5.1%	4.90
% margin	20.8%	15.5%	5.2%	16.0%	0.5%	4.7%

Sources: William Blair estimates and company reports

# Exhibit 4. Updated Catalent Financial Model, 2011 through 2020(E)

	2011	2012	2013	2014	Q1'15	Q2'15E	Q3'15E	Q4'15E	2015E	2016E	2017E	2018E	2019E	2020E
<b>Net revenue</b>	<b>\$1,531.8</b>	<b>\$1,694.8</b>	<b>\$1,800.3</b>	<b>\$1,827.7</b>	<b>\$418.3</b>	<b>\$442.3</b>	<b>\$477.4</b>	<b>\$553.2</b>	<b>\$1,891.2</b>	<b>\$1,992.9</b>	<b>\$2,087.7</b>	<b>\$2,188.8</b>	<b>\$2,295.2</b>	<b>\$2,407.0</b>
Cost of revenue	\$954.0	\$1,056.1	\$1,143.8	\$1,145.7	\$272.9	\$281.3	\$295.5	\$328.6	\$1,178.3	\$1,239.1	\$1,297.7	\$1,358.4	\$1,422.7	\$1,489.7
Gross profit	\$577.8	\$638.8	\$656.5	\$682.0	\$145.4	\$161.0	\$181.9	\$224.6	\$712.9	\$753.8	\$790.0	\$830.4	\$872.4	\$917.3
Selling, general and administrative expense	\$224.0	\$250.4	\$243.8	\$249.3	\$62.0	\$67.2	\$66.8	\$59.2	\$255.3	\$266.9	\$273.9	\$280.7	\$285.6	\$293.5
<b>EBITDA</b>	<b>\$353.8</b>	<b>\$388.3</b>	<b>\$412.7</b>	<b>\$432.6</b>	<b>\$83.4</b>	<b>\$93.8</b>	<b>\$115.1</b>	<b>\$165.4</b>	<b>\$457.6</b>	<b>\$486.9</b>	<b>\$516.0</b>	<b>\$549.7</b>	<b>\$586.8</b>	<b>\$623.9</b>
Depreciation	\$86.7	\$95.7	\$108.8	\$100.4	\$23.7	\$24.3	\$22.9	\$22.7	\$93.6	\$113.7	\$117.0	\$118.4	\$124.2	\$126.1
EBITA	\$267.1	\$292.6	\$303.9	\$332.2	\$59.7	\$69.4	\$92.1	\$142.7	\$364.0	\$373.3	\$399.1	\$431.3	\$462.6	\$497.7
Interest and other income (expense), net	(\$165.5)	(\$183.2)	(\$203.3)	(\$163.4)	(\$35.5)	(\$23.4)	(\$23.2)	(\$23.0)	(\$105.1)	(\$85.8)	(\$86.2)	(\$86.1)	(\$86.0)	(\$85.2)
Pretax income	\$101.6	\$109.4	\$100.6	\$168.9	\$24.2	\$46.1	\$68.9	\$119.7	\$258.9	\$287.5	\$312.8	\$345.2	\$376.6	\$412.5
Income tax expense	\$27.7	\$28.2	\$18.3	\$26.5	\$10.8	\$6.45	\$9.7	\$16.8	\$43.7	\$48.9	\$74.4	\$103.6	\$113.0	\$123.7
<b>Adjusted Net Income</b>	<b>\$73.9</b>	<b>\$81.2</b>	<b>\$82.3</b>	<b>\$142.4</b>	<b>\$13.4</b>	<b>\$39.6</b>	<b>\$59.3</b>	<b>\$102.9</b>	<b>\$215.3</b>	<b>\$238.6</b>	<b>\$238.4</b>	<b>\$241.6</b>	<b>\$263.7</b>	<b>\$288.7</b>
Minority Interest	\$3.9	\$1.2	(\$0.1)	(\$1.0)	(\$0.4)	(\$0.4)	(\$0.4)	(\$0.5)	(\$1.7)	(\$2.2)	(\$2.8)	(\$3.5)	(\$4.4)	(\$5.6)
Amortization	(28.8)	(34.0)	(43.4)	(42.5)	(11.3)	(10.6)	(11.5)	(11.1)	(44.4)	(45.9)	(48.1)	(50.4)	(52.9)	(53.8)
EBIT	238	259	261	289.8	48.4	58.8	80.7	131.7	319.6	327.3	351	381	410	444
Pretax Income (excl. Nonrecurring, incl. equity comp, amort.)	68.8	71.7	54.5	122	11.4	34.4	56.4	107.5	209.7	237.2	260.3	290.4	319.4	354.3
tax	20.6	21.5	16.4	36.6	3.4	10.3	16.9	32.3	62.9	71.1	78.1	87.1	95.8	106.3
<b>Adjusted Net Income, Including amort and 30% tax rate</b>	<b>48.2</b>	<b>50.2</b>	<b>38.2</b>	<b>85.3</b>	<b>8.0</b>	<b>24.1</b>	<b>39.5</b>	<b>75.3</b>	<b>146.8</b>	<b>166.0</b>	<b>182.2</b>	<b>203.2</b>	<b>223.5</b>	<b>248.0</b>
Adjusted EPS	\$0.64	\$0.67	\$0.51	\$1.14	\$0.08	\$0.19	\$0.31	\$0.60	\$1.22	\$1.33	\$1.49	\$1.69	\$1.90	\$2.15
Pretax Income (excl. Nonrecurring, equity comp, amort.)	101.6	109.4	100.6	168.9	24.2	46.1	68.9	119.7	258.9	287.5	312.8	345.2	376.6	412.5
tax	30.5	32.8	30.2	50.7	7.3	13.8	20.7	35.9	77.7	86.2	93.9	103.6	113.0	123.7
<b>Adjusted Net Income, 30% tax rate</b>	<b>71.1</b>	<b>76.6</b>	<b>70.4</b>	<b>118.2</b>	<b>16.9</b>	<b>32.3</b>	<b>48.3</b>	<b>83.8</b>	<b>181.2</b>	<b>201.2</b>	<b>219.0</b>	<b>241.6</b>	<b>263.7</b>	<b>288.7</b>
Nonrecurring items	(82.0)	(58.1)	(81.1)	(57.9)	(\$46.8)	(\$0.3)	(\$3.5)	(\$3.2)	(53.8)	(5.6)	(8.4)	(8.4)	(8.4)	(8.4)
Tax adjustment	3.9	11.7	(8.7)	(23.0)	\$24.8	\$0.5	\$3.7	\$10.8	39.7	22.9	46.4	75.6	85.0	95.7
Nonrecurring items (net of tax)	(78.1)	(46.4)	(89.8)	(81.0)	(\$22.0)	\$0.2	\$0.2	\$7.6	(14.1)	17.3	38.0	67.2	76.6	87.3
Net income from continuing operations (GAAP)	(29.1)	2.1	(50.9)	18.0	(\$20.3)	\$28.7	\$47.5	\$99.0	154.9	207.7	225.5	254.8	282.9	316.7
Income from Discontinued Operations	21.0	41.3	(1.2)	2.7	(\$0.4)	\$0.5	\$0.5	\$0.5	1.1	2.0	0.0	0.0	0.0	0.0
<b>Net income</b>	<b>(\$50.1)</b>	<b>(\$39.2)</b>	<b>(\$49.7)</b>	<b>\$15.3</b>	<b>(\$19.9)</b>	<b>\$28.2</b>	<b>\$47.0</b>	<b>\$98.5</b>	<b>\$153.8</b>	<b>\$205.7</b>	<b>\$225.5</b>	<b>\$254.8</b>	<b>\$282.9</b>	<b>\$316.7</b>
<b>EPS (excl. nonrecurring items, incl. options beg Q105)</b>	<b>\$0.99</b>	<b>\$1.09</b>	<b>\$1.10</b>	<b>\$1.89</b>	<b>\$0.13</b>	<b>\$0.32</b>	<b>\$0.47</b>	<b>\$0.82</b>	<b>\$1.78</b>	<b>\$1.92</b>	<b>\$1.95</b>	<b>\$2.01</b>	<b>\$2.24</b>	<b>\$2.50</b>
<b>EPS (excl. nonrecurring items, excl. options)</b>	<b>\$0.95</b>	<b>\$1.02</b>	<b>\$0.94</b>	<b>\$1.57</b>	<b>\$0.16</b>	<b>\$0.26</b>	<b>\$0.38</b>	<b>\$0.67</b>	<b>\$1.50</b>	<b>\$1.62</b>	<b>\$1.79</b>	<b>\$2.01</b>	<b>\$2.24</b>	<b>\$2.50</b>
<b>EPS (as reported)</b>	<b>(\$0.67)</b>	<b>(\$0.52)</b>	<b>(\$0.66)</b>	<b>\$0.20</b>	<b>(\$0.19)</b>	<b>\$0.23</b>	<b>\$0.37</b>	<b>\$0.78</b>	<b>\$1.28</b>	<b>\$1.65</b>	<b>\$1.84</b>	<b>\$2.12</b>	<b>\$2.40</b>	<b>\$2.74</b>
<b>Calendar EPS</b>	<b>\$1.20</b>	<b>\$0.80</b>	<b>\$1.25</b>	<b>\$1.97</b>					<b>\$1.89</b>	<b>\$2.00</b>	<b>\$1.94</b>	<b>\$2.10</b>	<b>\$2.35</b>	
Weighted average shares outstanding (diluted)	74.8	74.8	74.8	75.2	105.5	125.4	125.6	125.9	120.6	124.4	122.3	120.1	117.7	115.4
<b>MARGIN ANALYSIS:</b>														
Gross profit	37.7%	37.7%	36.5%	37.31%	34.8%	36.4%	38.1%	40.6%	37.7%	37.8%	37.8%	37.9%	38.0%	38.1%
SG&A	14.6%	14.8%	13.5%	13.6%	14.8%	15.2%	14.0%	10.7%	13.5%	13.4%	13.1%	12.8%	12.4%	12.2%
<b>EBITDA</b>	<b>23.1%</b>	<b>22.9%</b>	<b>22.9%</b>	<b>23.7%</b>	<b>19.9%</b>	<b>21.2%</b>	<b>24.1%</b>	<b>29.9%</b>	<b>24.2%</b>	<b>24.4%</b>	<b>24.7%</b>	<b>25.1%</b>	<b>25.6%</b>	<b>25.9%</b>
Depreciation	5.7%	5.6%	6.0%	5.5%	5.7%	5.5%	4.8%	4.1%	5.0%	5.7%	5.6%	5.4%	5.4%	5.2%
Amortization	1.9%	2.0%	2.4%	2.3%	2.7%	2.4%	2.4%	2.0%	2.3%	2.3%	2.3%	2.3%	2.3%	2.2%
Depreciation & amortization	7.5%	7.7%	8.5%	7.8%	8.4%	7.9%	7.2%	6.1%	7.3%	8.0%	7.9%	7.7%	7.7%	7.5%
Operating income	17.4%	17.3%	16.9%	18.2%	14.3%	15.7%	19.3%	25.8%	19.2%	18.7%	19.1%	19.7%	20.2%	20.7%
Tax rate (adjusted)	27.2%	25.8%	18.2%	15.7%	44.6%	14.0%	14.0%	14.0%	16.9%	17.0%	23.8%	30.0%	30.0%	30.0%
Net income	4.8%	4.8%	4.6%	7.8%	3.2%	9.0%	12.4%	18.6%	11.4%	12.0%	11.4%	11.0%	11.5%	12.0%
<b>GROWTH RATES:</b>														
<b>Revenue</b>	<b>3.5%</b>	<b>10.6%</b>	<b>6.2%</b>	<b>1.5%</b>	<b>1.0%</b>	<b>0%</b>	<b>5%</b>	<b>6%</b>	<b>3.5%</b>	<b>5.4%</b>	<b>4.8%</b>	<b>4.8%</b>	<b>4.9%</b>	<b>4.9%</b>
Revenue (excl. foreign exchange effect)			<b>0.0%</b>	<b>2.2%</b>	<b>1.2%</b>	<b>4%</b>	<b>9%</b>	<b>9%</b>	<b>6.4%</b>	<b>5.8%</b>				
Revenue (organic)			6%	2%	1%	2%	8%	9%	5.7%	5%	5%	5%	5%	5%
Gross profit	12%	11%	3%	4%	6%	-1%	6%	7%	5%	6%	5%	5%	5%	5%
SG&A	10%	12%	-3%	2%	13%	-3%	2%	0%	2%	5%	3%	2%	2%	3%
<b>EBITDA</b>	<b>12.6%</b>	<b>9.7%</b>	<b>6.3%</b>	<b>4.8%</b>	<b>1.5%</b>	<b>0.4%</b>	<b>8.5%</b>	<b>9.5%</b>	<b>5.8%</b>	<b>6.4%</b>	<b>6.0%</b>	<b>6.5%</b>	<b>6.7%</b>	<b>6.3%</b>
EBITA	18%	10%	4%	9%	7%	4%	13%	12%	10%	3%	7%	8%	7%	8%
Net income (excl. non-recurring items)	56.2%	9.9%	1.3%	73.0%	-1024.8%	41.8%	52.4%	33.7%	51.2%	10.8%	-0.1%	1.4%	9.1%	9.5%
Net income (WB Calculation)	55.6%	7.7%	-8.0%	67.8%	60.9%	82.8%	66.5%	37.3%	53.3%	11.0%	8.8%	10.3%	9.1%	9.5%
<b>EPS (excl. non-recurring items, incl. options)</b>	<b>56.2%</b>	<b>9.9%</b>	<b>1.3%</b>	<b>72.2%</b>	<b>-755.5%</b>	<b>-15.4%</b>	<b>-9.3%</b>	<b>-19.0%</b>	<b>-5.8%</b>	<b>7.4%</b>	<b>1.7%</b>	<b>3.2%</b>	<b>11.4%</b>	<b>11.6%</b>
Diluted shares outstanding	0%	0%	0%	0%	41%	68%	68%	65%	60.47%	3.16%	-1.74%	-1.77%	-2.02%	-1.89%

E=William Blair &amp; Company, L.L.C. estimate

Sources: Company reports, FactSet, and William Blair &amp; Company, L.L.C. estimates

### IMPORTANT DISCLOSURES

William Blair was a manager or co-manager of a public offering of equity securities for Catalent, Inc. within the prior 12 months.

William Blair is a market maker in the security of Catalent, Inc. and may have a long or short position.

William Blair intends to seek investment banking compensation in the next three months from Catalent, Inc.

Within the past 12 months William Blair has provided or is providing investment banking services to or has an investment services relationship with Catalent, Inc.

Additional information is available upon request.

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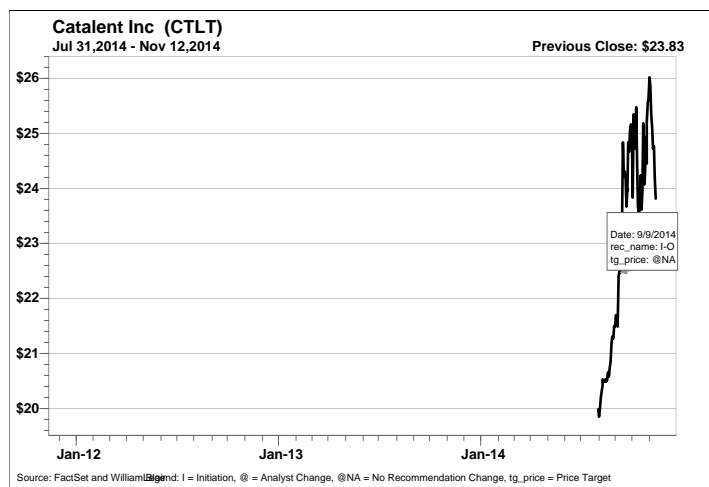
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DOW JONES: 17,652.79

S&P 500: 2,039.33

NASDAQ: 4,680.14



### Current Rating Distribution (as of 10/31/14)

Coverage Universe	Percent	Inv. Banking Relationships*	Percent
Outperform (Buy)	65	Outperform (Buy)	16
Market Perform (Hold)	31	Market Perform (Hold)	3
Underperform (Sell)	1	Underperform (Sell)	0

\*Percentage of companies in each rating category that are investment banking clients, defined as companies for which William Blair has received compensation for investment banking services within the past 12 months.

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