Catalent, Inc. (CTLT) — Overweight

Not Your Father's CMO; Initiating With Overweight Rating

CONCLUSION

We are initiating coverage of Catalent with an Overweight rating and $28 price target. We believe CTLT will see growth from its unique "follow the molecule" approach to manufacturing, industry consolidation (we expect CTLT to be the consolidator), and a doubling of the biopharma industry's outsourcing rate driven by molecules that require a more complex manufacturing approach. Our $28 PT is based on an 11.9x EV/EBITDA multiple on 2015 estimates, an 11% premium to the peer group.

- **Catalent is a contract manufacturing organization (CMO) that specializes in advanced pharmaceutical delivery technologies for drugs, biologics and consumer health products.** It's not a commodity business as evidenced by its 24% EBITDA margins, because they deliver innovative manufacturing capabilities that improve efficacy and brand revenue, and they employ a "follow the molecule" approach, which not only makes them the resident expert on the molecule, but offers greater economies of scale and growth opportunities as the molecule moves through its life cycle.

- **Strong macro trends.** The CMO landscape is a highly fragmented industry, with an overall outsourcing penetration rate of 30%, which we believe could double due to a pipeline of molecules that require a more complex approach to manufacturing. Catalent should be a beneficiary of this trend because it specializes in highly-specialized manufacturing capabilities, such as soft-gel tablets and Zydis fast dissolve technology, which can improve efficacy and consumer preference for the brand, and enhance revenue for the sponsor. We also expect Catalent to be a consolidator in a highly fragmented business, which should drive upside to current estimates, which assume no acquisitions.

- **Initiating with an Overweight rating and $28 price target.** Our target is based on applying the CY14 comp group EV/EBITDA multiple of 11.9x to forward-year CY15 estimates to calculate where we believe shares will be trading in one year. Multiple expansion from today's 10.5x CY15E EV/EBITDA multiple to 11.9x is supported by CTLT's strong EBITDA margins and diversified business model, and does not factor in the potential of upward revisions due to acquisitions.

RISKS TO ACHIEVEMENT OF PRICE TARGET

Failure to integrate acquisitions, pharma and biotech slowdown of outsourced R&D and manufacturing, domestic and foreign regulatory constraints.

COMPANY DESCRIPTION

Catalent is a leading global provider of advanced delivery technologies and development solutions for drugs, biologics, and consumer health products.

PRICE: US$22.50
TARGET: US$28.00
11.9x CY15E EV/EBITDA

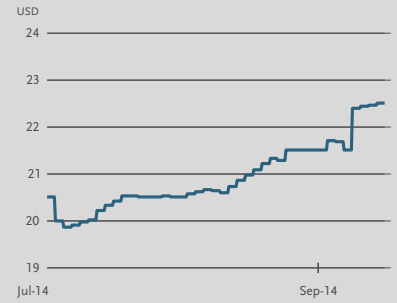
Sean W. Wieland
Sr Research Analyst, Piper Jaffray & Co.
415 616-1710, sean.w.wieland@pjc.com

Nina Deka
Research Analyst, Piper Jaffray & Co.
212 284-6132, nina.d.deka@pjc.com

Changes	Previous	Current
Rating		Overweight
Price Tgt		US$28.00
FY15E Rev (mil)	—	US$1,909.3
FY16E Rev (mil)	—	US$2,034.2
FY15E EPS	—	US$1.79
FY16E EPS	—	US$2.31

52-Week High / Low	US$22.80 / US$19.30
Shares Out (mil)	124.0
Market Cap. (mil)	US$2,790.0
Avg Daily Vol (000)	
Book Value/Share	US$(3.35)
Net Cash Per Share	US$(15.16)
Debt to Total Capital	126%
Yield	0.00%
Fiscal Year End	Jun

Price Performance - 1 Year



Source: Bloomberg

YEAR	REVENUE (US$ m)								EARNINGS PER SHARE (US$)							
	Sep	Dec	Mar	Jun	FY	CY	FY RM	CY RM	Sep	Dec	Mar	Jun	FY	CY	FY P/E	CY P/E
2014A	414.3A	440.7A	453.1A	519.6A	1,827.7A	1,839.8E	1.5x	1.5x	—	—	—	—	—	NA	NA	NA
2015E	412.7	454.4	483.7	558.4	1,909.3	1,945.0	1.5x	1.4x	0.22	0.36	0.44	0.77	1.79	1.73	12.6x	13.0x
2016E	419.1	483.8	522.0	609.3	2,034.2	—	1.4x	NA	0.27	0.49	0.59	0.97	2.31	—	9.7x	NA

INVESTMENT THESIS

Catalent is a leading global provider of advanced pharmaceutical delivery technologies and development services for drugs, biologics, and consumer health products. Their market presence is near ubiquitous: In the last three years, they've generated revenue from 80% of the top 200 selling compounds globally. They compete in nearly every segment of the $800 billion per year global pharmaceutical industry, including both branded and generic prescription drugs, consumer health segments, and research and development outsourcing. They are divided into three segments: Oral Technologies, which comprises 64% of revenue and 71% of EBITDA; Medication Delivery Solutions, which comprises 13% of revenue and 11% of EBITDA, and Development and Clinical Services, which comprises 23% of revenue and 18% of EBITDA in 2014.

The Contract Manufacturing Organization (CMO) market is a $13 billion per year, highly fragmented market, with the majority of the market consisting of small manufacturers with less than 1.5% market share. Approximately 30% of manufacturing is outsourced today, vs. more than 60% of clinical development work that is outsourced to contract research organizations (CROs), suggesting that there are ample opportunities for growth as the rate of manufacturing outsourcing increases. Furthermore, 60-90% of new molecules entering development will need the kinds of advanced delivery technologies that are provided by Catalent. For example, many new oral molecules are poorly absorbed. Companies with better technology and innovation can overcome these obstacles to differentiate. For example, Catalent's softgel and Zydis platforms address absorbability challenges.

Catalent's "follow the molecule" strategy is one of their key differentiators. It means that they offer services through every moment in a molecule's lifecycle, from its development, through its commercialization, and eventually into its generic phase. Being a part of the development and manufacturing provides them with proprietary knowledge on the molecule. This provides pricing power, and drives better margins because, they'll possess the manufacturing expertise, and it's usually tough to replicate. When the patent expires, Catalent will have more opportunity to grow, because they'll already be experts on the formulary.

Oral Technologies is Catalent's largest segment and it competes in the highly competitive and fragmented arena of contract manufacturing organizations (CMOs.) Softgel Technologies and Modified Release Technologies are the largest product lines in this segment. Catalent owns the market in both of these areas, because they are truly differentiated in terms of quality and expertise. In fact, they've been producing softgel capsules since the 1930s, and have been continuously enhancing their formula ever since. Thus, we believe no one has been able to replicate their capabilities.

Medication Delivery Solutions makes non-oral drugs and biologics. These are administered via injection, inhalation, and ophthalmic methods. Over half of the industry's prescription revenues come from drugs that require a more complex form than a basic pill. This wide breadth of sophisticated delivery solutions in addition to their oral offering further enhances CTLT's value proposition. Many CMOs are one-trick ponies but Catalent offers its clients a one-stop shop, and therefore has the opportunity to grow extensively within each existing relationship.

Development and Clinical Services is Catalent's fastest growing segment. Like a contract research organization (CRO), it offers a whole host of clinical research and trial services, from inventory and dose management to formulation development to analytics. Post commercialization, Catalent continues the relationship with the innovator as the

manufacturer of the drug, which most CROs can't do. This is an example of how their "follow the molecule" strategy translates to long customer lifetime values, and many stable long-term revenue streams.

Initiating coverage with an Overweight rating and $28 price target using an EV/EBITDA multiple. CTLT is currently trading at 10.5x our CY15 EBITDA estimate of $446M, which is in line with its closest comp, WST, and with the median of the broader comparable peer group 2015 multiple. We view CTLT as a differentiated and value-adding CMO, and not a commodity CMO service provider, and therefore we believe it deserves a premium to its competitors. We are using the 2014 peer median multiple of 11.9x to set CTLT's 12-month price target, which is a 15% premium to WST's current CY15E EV/EBITDA multiple.

Investment risks. Catalent faces near term EBITDA margin pressure as they invest in long term growth opportunities. They also face integration risk from numerous acquisitions in the last 18 months. Finally, they're highly levered, and exposed to some variable rate fluctuation.

Exhibit 1

COMPS TABLE

Pharmaceutical Services Organizations

		Price	Mkt				EV/EBITDA			P/E		
Company Name	**Ticker**	**8-Sep**	**Cap**	**S/O**	**Net Cash**	**EV**	**2013**	**2014E**	**2015E**	**2013**	**2014E**	**2015E**
Charles River	CRL	60.41	$ 2,820	46.7	129	3,505	12.5	11.9	10.8	20.6	18.1	17.0
Covance	CVD	$84.50	$ 4,777	57	648	4,419	11.8	10.8	8.6	26.2	21.9	18.8
Icon	ICLR	53.40	$ 3,305	61.9	175	3,130	17.7	12.6	11.0	30.2	20.2	17.7
Parexel	PRXL	58.11	$ 3,355	57.7	284	3,418	14.1	11.5	10.7	29.3	24.4	22.5
Quintiles	Q	55.96	$ 7,123	127.3	637	8,555	13.8	12.2	10.6	26.6	21.2	18.7
West Pharma	WST	44.16	$ 3,125	70.8	235	3,256	13.7	11.4	10.4	27.1	24.0	21.0
WuXi PharmaTech	WX	36.17	$ 2,514	69.5	374	2,267	12.5	12.6	11.0	19.9	19.9	16.9
Median			**$ 3,305**			**$ 3,505**	**13.7x**	**11.9x**	**10.7x**	**26.6x**	**21.2x**	**18.7x**
Catalent (trading)	**CTLT**	**22.50**	**2,790**	**124.0**	**(1,880)**	**4,670**	**11.6x**	**10.8x**	**10.5x**	**na**	**na**	**13.0x**
Catalent (Target)	**CTLT**	**28**	**3,425**	**124.0**	**(1,880)**	**5,305**	**13.1x**	**12.3x**	**11.9x**	**na**	**na**	**15.9x**

Source: Piper Jaffray Research, Company SEC Filings, Thomson

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Exhibit 2

VALUATION ANALYSIS

2014 EV/ EBITDA Peer Median Multiple	11.9x
PJC CY2015E EBITDA	445,790
EV ($000)	5,305,542
Net Cash	(1,880,000)
Target Market Cap	3,425,542
Shares outstanding	*124,000*
Price Target	**$ 28**

Source: Piper Jaffray Research, Company SEC Filings, Thomson

Our model is primarily driven by revenue growth rate and EBITDA margin. The following sensitivity analysis shows the impact of these metrics on our target price. Our analysis shows that the target price is not as sensitive to revenue as it is to EBITDA margin. For every 100 bps increase in revenue growth rate, the price increases by $0.40, whereas for every 50 bps increase in EBITDA margin, the price increases by $0.90-$1.00.

Exhibit 3

SENSITIVITY ANALYSIS

Sensitivity Analysis on CY15E EBITDA ($)

		CY2015 Revenue Growth Rate				
		5%	**5.7%**	6.0%	7.0%	8.0%
CY15 EBITDA Margin	22.0%	424.9	427.8	429.0	433.0	437.1
	22.5%	434.6	437.5	438.7	442.9	447.0
	23.1%	445.3	**448.4**	449.6	453.8	458.1
	23.5%	453.9	456.9	458.2	462.5	466.9
	24.0%	463.6	466.6	468.0	472.4	476.8

Price Target, assuming 11.9x EV/EBITDA, -$1,880M net cash, and 124M s/o.

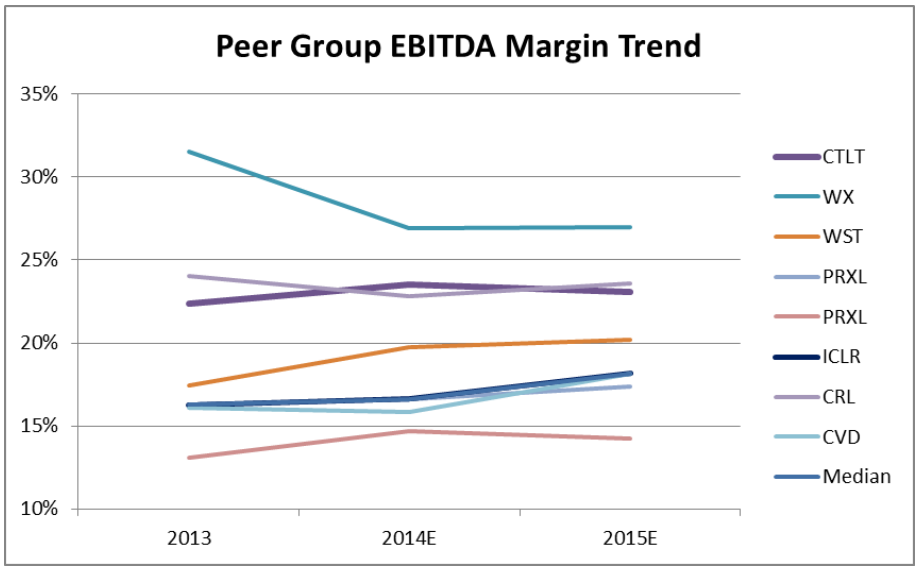
		CY2015 Revenue Growth Rate				
		5%	**5.7%**	6.0%	7.0%	8.0%
CY15 EBITDA Margin	22.0%	26.0	26.3	26.4	26.8	27.2
	22.5%	27.0	7.2	27.4	27.8	28.2
	23.1%	28.0	**28.3**	28.4	28.9	29.3
	23.5%	28.9	29.2	29.3	29.7	30.1
	24.0%	29.8	30.1	30.3	30.7	31.1

Source: Piper Jaffray Research, Company SEC Filings

We believe that the market is penalizing Catalent for the near-term EBITDA growth slowdown. CY14 EBITDA grew 7% y/y, and CY15E EBITDA is expected to grow 4% y/y. (The correlation coefficient between the peer group's EV/EBITDA multiple and EBITDA growth rate is 54.2%). We believe that this penalty is unwarranted because the company is investing in future growth opportunities to meet the growing demand for their services. These growth opportunities will continue to differentiate CTLT from their competition, and while it may pressure margins in the near term, we expect their EBITDA margin will remain well above its peer group median, as well as above its closest comp, WST.

Exhibit 4

PEER GROUP EBITDA TREND (CY)



Source: Piper Jaffray Research, Company SEC Filings, Thomson

Exhibit 5

STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS (SWOT)

Strengths	Weaknesses
• Reputation & track record – 75 years of experience • Brand awareness • Deep relationships with well-established companies (Exhibit 6.) • Follow the molecule approach • Long-term contractual agreements (70%) • Owns the Softgel market • Growth from increased utilization • Diversification (geographic, customers, service offerings)	• Balance sheet leverage • Operating leverage • High capex expenses • Free Cash Flow • Reverse LBOs are generally done for a reason
Opportunities/ Catalysts	**Threats/ Risks**
• Growth in operating leverage • Increasing value proposition as more new molecules require advanced delivery technology • Continued growth in outsourcing penetration (30% today) • Patent expirations • 450 new customers, 97 new products • Cross-selling expansion • New markets expansion • Bolt-on acquisitions	• Patent expiration of proprietary technologies may adversely impact margins • Underfunded pensions ($130 million) • Acquisition integration risk (5 since 2012) • Competition - perception as commodity in highly fragmented industry • Slowdown in Biopharma R&D investments • Variable rate notes • Sustainability of EBITDA margins • International clientele exposes them to foreign regulatory and currency risk.

Source: Piper Jaffray Research

Strengths

- **Reputation and track record.** Catalent has been the industry leader in contract manufacturing, and their focus on value-add capabilities only enhances their industry reputation. Management has instilled a strong six sigma culture which has resulted in strong operational improvements over the past three years.

- **Brand Awareness.** We asked employees of pharmaceutical innovators whether they are familiar with Catalent. All answers were affirmative, and when we asked if they knew of any other CMOs, most showed awareness that many others existed, but none of their names immediately came to mind.

- **Follow the molecule approach is unique.** Offering services from the clinical trial phase through the lifecycle of a drug, including its generic transition, creates long

customer lifetime values, and provides strong visibility into future revenue. It is also a driver of EBITDA margins.

- **Increased healthcare utilization should also drive growth.** The increase in the insured population is expected to increase the number of doctor visits and potential subsequent scripts. This would have a positive downstream impact on CTLT.

- **If this ship hit an iceberg, it would keep sailing.** Catalent has no significant customer concentration. Also, their established and diverse geographic client base, customer size, and service offerings helps mitigate risk, and provides a competitive advantage in this fragmented industry. (1,000+ customers in 80+ countries, including 85 of top 100 pharma, and 41 of the top 50 biotech.)

Exhibit 6

A TRUSTED PARTNER TO WELL-ESTABLISHED BRANDS

Category	Selected Products
Branded Drug	Fragmin dalteparin sodium; imbruvica; Zyprexa Zydis
Generic Drug	Generic Accutane; Amnesteem (Isotretinoin Capsules USP); Cholestyramine for Oral Suspension, USP Powder; Generic Wellbutrin; Once Daily buPROPion Hydrochloride
Biologics & Biosimilars	Pulmozyme dornase alfa; Gamunex 10% i.v. immune globulin
OTC Branded & Private Label	Advil; Benadryl; Claritin
Vitamins & Supplements	vitalux; Centrum; Ocuvite EYE VITAMIN & MINERAL SUPPLEMENT
Skin Care & Other	ageLOC TRU FACE ESSENCE ULTRA; Whitening Capsules Elizabeth Arden; Meaningful Beauty Cindy Crawford

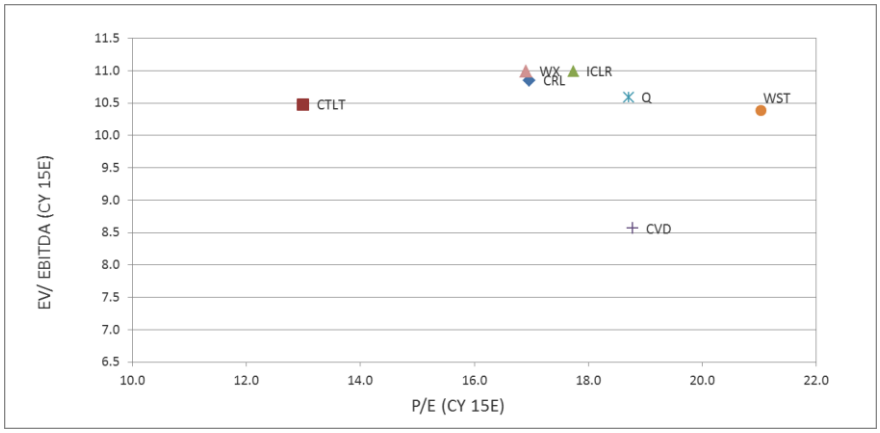
Source: Piper Jaffray Research, Company reports

Weaknesses

- **Highly leveraged.** While the business model lends itself to leverage, a 2x interest coverage ratio leaves less room for error than other pharmaceutical services organizations with which we are familiar, and leaves them exposed to increases in interest rates. Exhibit 7 demonstrates the dramatic effect of debt on CTLT's valuation, as compared to their less levered peers.

Exhibit 7

PEER GROUP MULTIPLES SCATTER PLOT: EV/EBITDA & P/E



Source: Piper Jaffray Research, Company SEC Filings, Thomson

- **Market view on reverse LBOs.** The potential stigma on reverse LBOs could be perceived as a weakness because of the information asymmetry inherent in such transactions.

- **This industry is very fragmented.** However, according to the Association of Clinical Research Organizations, the fragmented industry is evolving toward a full service model, and away from niche offerings. CTLT is such a full service model, with breadth and scale in its offerings.

Opportunities/ Catalysts

- **Operating leverage.** The company is forecasting an incremental EBITDA margin (change in EBITDA divided by change in revenue) of 35%, and they historically have delivered much more, suggesting that this is not a commodity business, they have pricing power, and they can leverage a fixed cost infrastructure across multiple opportunities.

- **Growth opportunities via cross-selling among existing clientele**. Most customers use less than half of CTLT's offerings, thus cross-sell opportunities are abundant.

- **New market expansion initiatives** into China, Brazil, and Japan, as well as into the animal health space, should drive further growth and differentiation.

- **Patent expiration expands the market in multiple ways.** As drugs lose expiration, it opens the door for new suppliers, many of whom outsource the manufacturing. This increases demand for Catalent's services. Additionally, Catalent already

manufactures many branded drugs. By helping their clients facilitate their respective transitions to generic, they extend the customer lifetime value.

Threats/ Risks

- **Highly leveraged.** The balance sheet is currently levered 2:1 (interest coverage ratio), which leaves less room for error than other pharmaceutical services industries. While the tide rises, this is not of concern, but if there is a slowdown, EPS would be adversely impacted relative to others in the group.

- **Competitive pressures.** Patent expirations of Catalent's proprietary manufacturing technologies may open the door for greater competition and/or pricing pressure from smaller CMOs, and erode the company's competitive advantage.

- **Expiration of exclusivity impact on margins**. Patent expirations of proprietary manufacturing technologies may open the door for greater competition and/or price pressure from smaller CMOs. Despite of this, CTLT is actually more cushioned from the impact of patent expiration because their revenue doesn't change as dramatically as the innovator's.

- **Acquisition risks.** The Company has purchased five companies in the last 2.5 years, posing integration risk. The largest of them was the February 2012 purchase of the Aptuit clinical trial supplies business. They also acquired the remaining 49% ownership interest in their German softgel joint venture with Gelita in February 2012, and two other companies in China and Brazil in the first and second quarter of fiscal 2014, respectively.

- **CRO business is highly dependent on biopharma and pharma R&D investments.** The threat is that the industry's recent boom of capital raising and M&A, and its subsequent increase in R&D could wane, and that CROs and CMOs will have to turn off their lights. We don't see this as a threat to CTLT in the near term, nor long term, due to their diversified offering. Only one of their three segments deals with pre-commercialization. The other areas have sustainable demand despite of macro effects.

- **Underfunded pensions.** The current pension program is underfunded by $130 million, which could be ratified based on market performance or changing the assumption on the discount rate. The current cash flow is sufficient to fund the pensions if/when needed.

- **International presence** exposes CTLT to foreign regulatory, economic, and currency risks.

COMPANY OVERVIEW

Catalent has earned revenue from nearly 80% of the top 200 selling compounds globally in the last three years, and from nearly half of all New Molecular Entities (NMEs) approved by the FDA in the last 10 years. They are a contract manufacturing and research organization that was created with the $3.3B spinout of the Cardinal Health Pharmaceutical Technologies and Services (PTS) business to The Blackstone Group in 2007. While often referred to as a contract manufacturing organization (CMO), Catalent's focus is on high end manufacturing capabilities that drive brand value; they do not pursue commodity manufacturing business, and we therefore view their business model as far more differentiated than its CMO competitors. The name represents a combination of the two words through which they derive their mantra, "Catalyst + talent," which implies that through their deep knowledge and experience in development, delivery, and supply, they can provide the catalyst for their clients' success.

"Follow the molecule" strategy is the key to their value proposition. Catalent seeks to become the manufacturing expert in every molecule they pursue with their "follow the molecule" strategy. This means that they can offer services through every moment in a molecule's lifecycle, from its development, through its commercialization, and eventually into its generic phase. Following the molecule allows them to become the industry experts in the manufacturing techniques used for the molecule, and makes their relationships sticky with the molecules' innovators, as it makes them the likely candidate for contract expansion. This approach not only generates growth within existing customer relationships, but it also increases their knowledge and expertise, which can be and has been leveraged across multiple end customers and multiple markets.

Segment Breakdown

Oral Technologies

As the largest of the three segments, Oral Technologies provides advanced oral delivery manufacturing capabilities for drugs, biologics, and consumer health. This segment includes Softgel Technologies and Modified Release Technologies, whose FY13 revenues were $850M and $370M, respectively. CTLT's advanced capabilities, combined with their years of expertise, add value to pharmaceutical and biopharma customers by enhancing their brand values, and lengthening their product life cycles. For example, Catalent is the leader in softgel manufacturing, as evidenced by their market share. They manufactured 90% of softgels approved by FDA in the last 25 years, and no one has been able to catch up yet. The origins of the Softgel Technologies line dates back to 1934 with RP Scherer's invention of the rotary die in manufacturing softgel tablets. Catalent applied this technology to Advil to create Advil Liqui-Gels, a more clinically effective product in a capsule that consumers pay a premium for. This in turn increased the overall lifetime value Advil for its innovator, Pfizer.

Modified Release Technologies can save the U.S. healthcare industry billions of dollars. These product lines include both fast-dissolve and controlled release formulations, which are highly specialized capabilities, and can add a great deal of value to innovators. Medication non-compliance costs the U.S. healthcare system nearly $300B/year. Technologically controlling the release of medication can improve medication adherence, because it makes it easier for the patient to be compliant. For example, if a patient only

has to swallow one pill per day instead of one every few hours, this reduces the risk of missing doses, and therefore increases efficacy of the treatment. This can save the industry billions of dollars that would have otherwise been spent on extra treatment required simply because people forgot to take their meds. This is the type of technology that gives innovators the pricing power they seek, and Catalent has the proven ability to get them there.

There's virtually no alternative for Zydis, CTLT's fast-dissolve oral technology. Developed and launched in 1986, Zydis has limited competition that can replicate its level of quality. One reason is that it's very challenging to ensure that the molecule gets absorbed. Also, Zydis dissolves in the mouth in under three seconds, which is up to 10x faster than its competitors. Catalent has developed over 20 formulations that have been marketed by six of the top 10 pharma companies in over 50 countries. Indications treat a wide range of conditions, including allergies, Parkinson's disease, and pain relief. This technology can dramatically improve compliance in many therapeutic markets, including children, elderly, patients who can't swallow pills, and geographies where water is scarce.

Controlled release formularies are also tough to replicate. The controlled release process is created by using polymers to coat tablets, and beads or particles within capsules. As the coating dissolves, medication is administered over time. Dissolution at the wrong speed could result in dangerous side effects for the patient, either by administering excess dosage, or not enough to yield benefits. Addressing the fact that molecules come in different shapes and sizes and serve a diverse range of medical needs, Catalent offers multiple forms of controlled release, including conventional and proprietary methods.

- *Extended release or long-acting.* Allows for a decrease in dosing frequency that would be necessary if the product were in immediate dose form.

- *Sustained release.* Specific amounts of the drug are released at timed intervals.

- *Delayed or enteric release.* Active pharmaceutical ingredient (API) is released at a specific point in the body based on pH or other characteristic depending on the drug profile. (For example, drugs released in the intestines are formulated to release at a higher pH levels than those found in the stomach.)

- *Repeat action or pulsed release.* Short-term and long-term action created by combining both immediate release and controlled release products, combined into one dose form.

Oral Technologies customers include Pfizer, Novartis, Merck, GSK, Eli Lilly, J&J, and Actavis.

Medication Delivery Solutions (MDS)

While many CMOs are one-trick ponies, Catalent has expertise in many areas and can be a one-stop shop. The products that are not administered orally, such as blow-fill seal, prefilled syringes, and biologics, roll under MDS. These are administered via injection, inhalation, and ophthalmic methods. Over half of the industry's prescription revenues come from drugs that require a more complex form than a basic pill. This wide breadth of sophisticated delivery solutions combined with their oral offering further enhances CTLT's value proposition. Clients who already use Catalent for oral technologies can easily explore other ways to expand their portfolio with them, thus creating an opportunity to extensively expand within each existing relationship. Customers include Pfizer, Sanofi-Aventis, Roche, and Teva.

Development and Clinical Services

This segment is the CRO arm of Catalent, and has a wide array of services and expertise that is intended to help innovators bring their molecules to market in less time. These services are separated into six offerings: Preformulation, Formulation, Solid State Services, Small Molecule Analytical Chemistry, Large Molecule Chemistry, and Regulatory Consulting. The global pharmaceutical industry invests approximately $160B annually in R&D, of which 40% is outsourced. Approximately 36% of this R&D spend goes toward clinical research, and approximately 14% of it goes toward chemistry, manufacturing, and controls (CMC) work. The large global and regional CROs focus on the clinical research spend, while providers of development sciences, and clinical trial supplies and logistics (like CTLT) focus on the CMC work. Catalent expanded this division significantly in 2012 with the acquisition of the clinical trial supplies division of Aptuit.

Strategic Growth Initiatives

Recent capex investments. Catalent has invested $439M in the last five years in capex to expand facilities, capacity, and capabilities across their businesses, and position themselves for future growth.

New product launches and projects. As of June 30 2014, their product development teams were working on 480 new customer programs, which were spawned both by increased market demand, and sales and marketing initiatives that were implemented in 2010. Also in FY14, Catalent introduced 175 new products, up 80% from the 97 new product introductions of 2013. In FY15, the company anticipates new product launches will be greater than those introduced in FY14.

Increase penetration among existing customer base. Within their top 50 customers, almost 75% utilize less than half of their offerings. They have increased their sales force by 20% in the last five years in efforts to accelerate this growth.

Expansion into other markets. The company has made recent investments to expand into high growth geographies such as China, Brazil, and Japan, as well as into the animal health market. For example, they formed two joint ventures with China-based companies, and also acquired a Brazilian softgel provider.

Pursue acquisitions and licensing to enhance existing platform. Catalent is actively seeking bolt-on acquisitions, as well as expansion opportunities into adjacent markets and new geographies.

INDUSTRY OVERVIEW

The pharmaceutical industry is growing at 3-5% per year, driven by growth in emerging markets, the pipeline of new molecules, and the increased access to healthcare in U.S. and China. An estimated 30% of the industry spend is outsourced to third party services companies, with this share continuing to increase as small to mid-sized companies practice "virtual" models whereby they have no manufacturing or development capabilities. As the development of new drugs becomes increasingly more complex with a higher regulatory bar, the value proposition of the outsourcer continues to increase.

The Contract Manufacturing Organization (CMO) market is a $13 billion per year, highly fragmented market, with the majority of the market consisting of small manufacturers with less than 1.5% market share. Approximately 30% of manufacturing is outsourced today, vs. more than 60% of clinical development work that is outsourced to contract research organizations (CROs), suggesting that there are ample opportunities for growth as the rate of manufacturing outsourcing increases. Furthermore, 60-90% of new molecules entering development will need the kinds of advanced delivery technologies that are provided by Catalent. For example, many new oral molecules are poorly absorbed. Companies with better technology and innovation can overcome these obstacles to differentiate. For example, Catalent's softgel and Zydis platforms address absorbability challenges.

High Barriers to Entry. While there are many players in the CMO space, there are very few that can offer a comprehensive set of manufacturing services from development through commercialization. Scalability helps grow margins, and therefore size matters. Due to the need of the products being manufactured, the ability to ensure availability is a critical element to a value proposition. Defensible IP, reputation for quality, and decades of experience are also factors that can separate the truly unique players into a space of their own, and provide pricing power over the commoditized CMO services.

Generics offer multi-billion dollar TAM. The patent cliff remains in place through 2016. It takes on average three years to develop a generic. Of the 2015 patent expiries, at least nine are blockbuster drugs. Given Catalent's tenure, sophisticated manufacturing and development capabilities, and long-standing relationships with some of these companies, it would be logical to believe that they are involved in some part of the upcoming generic formularies. If so, they would have already established the infrastructure for distribution in 2015, which means that there could be a lot of upside once these formularies hit the market.

Exhibit 8

ESTIMATED NEAR TERM BLOCKBUSTER GENERIC OPPORTUNITY

Popular High Volume Drugs
Estimated Loss of Exclusivity Date and Subsequent Impact on Generic Opportunity*

Brand Name	Active Ingredient or Generic Name	Est Month	Est Year	Manufacturer	Delivery Technology	Est 2013 Volume ($M)	Discount Applied	Estimated TAM in FY15 ($M)
Nasonex	mometasone nasal spray	Jul	2014	Merck	Nasal Spray	1,335	60%	534
Exforge (& HCT)	amlopidine+valsartan/+hydrochlorothiazide	Sep	2014	Novartis	Oral	1,456	80%	291
Copaxone®	glatiramer injection	Nov	2014	TEVA	Pre-filled syringes	4,328	60%	1,731
Cipro HC	ciprofloxacin/hydrocortisone otic suspension	Jan	2015	Bayer	Oral	268	80%	54
Namenda	memantine	Jan	2015	Actavis/Forest	Oral	1,503	80%	301
Norvir	ritonavir	Jan	2015	AbbVie	Oral	389	80%	78
Renvela	sevelamer	Mar	2015	Sanofi	Oral	1,021	80%	204
Sustiva	efavirenz	Mar	2015	BMS	Oral	1,614	80%	323
Abilify	aripiprazole	Apr	2015	Otsuka/ BMS	Oral	2,289	80%	458
Avodart	dutasteride	May	2015	GSK	Oral (Soft Gelatin)	879	80%	176
Zyvox	linezolid	May	2015	Pfizer	Oral or IV solution	1,353	80%	68
Aggrenox	aspirin/ dipyridamole extended-release	Jul	2015	Boehringer Ingelheim	Oral (Extended Release)	400	80%	80
Gleevec	imatinib	Jul	2015	Novartis	Oral	4,693	80%	939
Pulmozyme	dornase alfa inhilation solution	Jul	2015	Genentech/ Roche	Nebulizer solution	638	80%	128
Intuniv	guanfacine extended-release tablets	Sep	2015	Shire	Oral (Extended Release)	335	80%	67
Neulasta	pegfilgrastim injection	Oct	2015	Amgen	Pre-filled syringes	4,000	60%	1,600
Combivent	albuterol/ipratropium inhalation	Dec	2015	Boehringer Ingelheim	Inhaler	1,046	60%	418
Ortho Tri-Cyclen Lo	ethinyl estradiol/norgestimate	Dec	2015	Janssen	Oral	421	80%	84
								7,533

* estimate represents either global sales volume, or only the estimated sales in the country where patent expires.
Source: Piper Jaffray Research

Source: Piper Jaffray Research, Company reports

COMPETITIVE LANDSCAPE

Catalent competes in nearly every segment of the $800 billion per year global pharmaceutical industry, including both branded and generic prescription drugs, and consumer health segments. Its closest publicly owned comp is West Pharmaceuticals (NYSE: WST). West is comprised of three divisions: West Analytical Services, which provides drug development, testing, and packaging services, and also assists customers with lab analysis. Second is a West company called The Tech Group, which provides CMO services to both pharmaceutical and medical device customers. Lastly is Medimop Medical Projects, Ltd., West's injectable pharmaceutical systems. Exhibit 9 shows a comparison of the financial metrics between CTLT and WST. Note that even though CTLT's EBITDA

margin is expected to taper in FY15 due to investments in future growth opportunities, it's still expected to be higher than WST's EBITDA margin.

Exhibit 9

CATALENT/WEST COMPARISON CHART

Profile	CTLT	WST	Peer Median
Mkt Cap	$ 2,790	$ 3,125	$ 3,305
EV	$ 4,670	$ 3,256	$ 3,505
EV/EBITDA (CY15E)	10.5x	10.4x	10.7x
P/E (CY15E)	13.0x	21.0x	18.7x

EBITDA Margin Trend	2013A	2014E	2015E
CTLT	22%	23%	23%
WST	17%	20%	20%

Source: Piper Jaffray Research, Thompson

The recent explosion of capital raised and M&A activity in the pharma industry are increasing demand and driving growth for both CMOs and CROs. Despite this, these industries appear to be in their mature stage due to their highly competitive and fragmented nature, and consolidation and commoditization are likely inevitable. The top five players within the CMO and CRO markets represent only 30% and 10% of total market share, respectively. We believe it would require a great deal of differentiation and a diverse product and service offering to maintain and grow profitability in this industry. Exhibit 10 lists the main competitors that compete within each of Catalent's segments, and shows that there aren't any companies that are key competitors in all of CTLT's segments.

Exhibit 10

MAIN COMPETITORS, BY SEGMENT

Softgel	Modified Release	Medication Delivery Solutions	Development & Clinical Services
Banner (owned by Patheon/DSM "DPx")	Haupt	DFS: Vetter, Patheon	PPD
Swiss Caps(owned by Aenova)	Rottendorf	BFS: Unither, Holopak, Rite-dose	AAI
	Patheon	Pharma (keeps it in-house)	Almac
	Pharma (keeps it in-house)		ThermoFisher

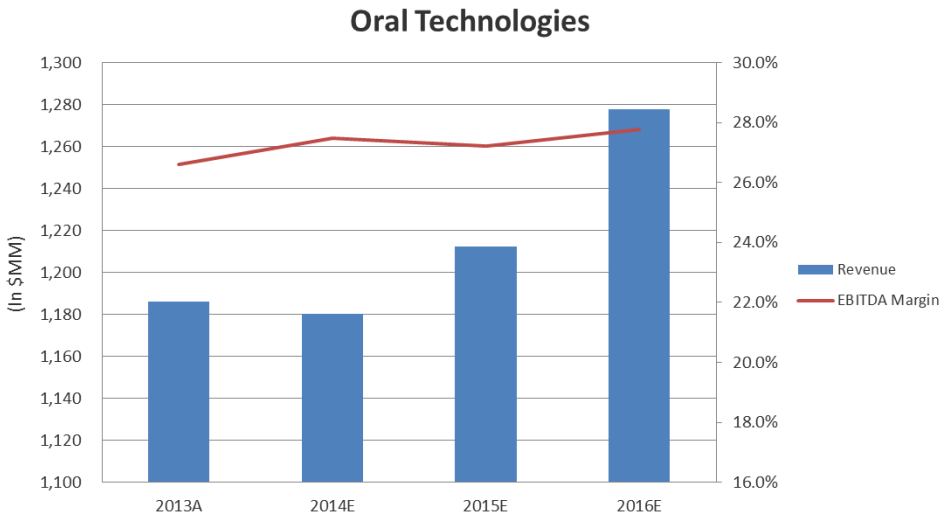
Source: Piper Jaffray Research, Company reports

FINANCIAL DISCUSSION

Oral Technologies is the largest and most profitable segment of the business, comprising 64% of total revenue and 71% of total EBITDA, with forecasted growth in the mid-single digits and EBITDA margins in the high 20% range. This segment provides softgel capabilities (70% of segment revenue) and Modified Release (30% of segment revenue). Because of the company's longstanding reputation in each of these areas, they maintain pricing power in these segments, which is why this segment delivers the highest EBITDA margin of the three business segments. In the near term, we estimate that investments in the growth of this area will pressure EBITDA margins in FY15, but that they will return to growth in FY16.

Exhibit 11

ORAL TECHNOLOGIES REVENUE AND EBITDA TREND



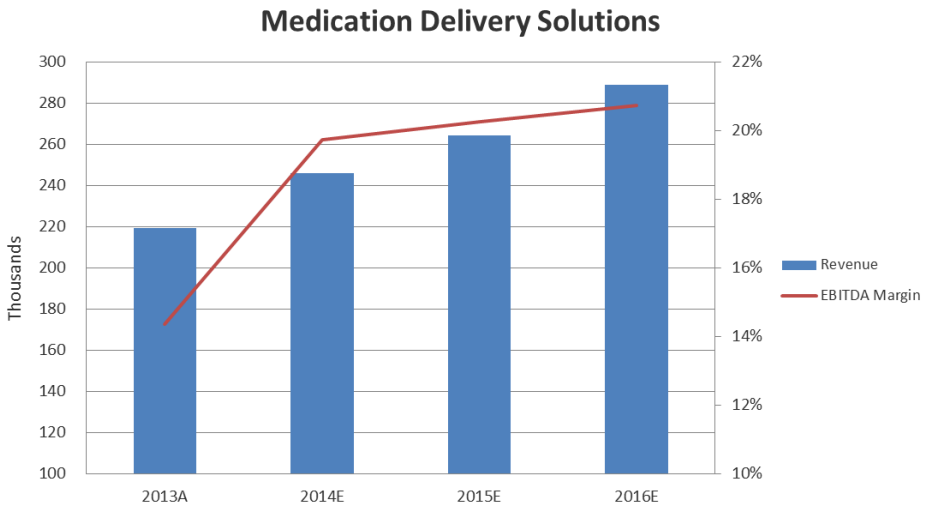
Source: Piper Jaffray Research, Company reports

Medication Delivery Solutions (MDS)

This segment develops more complex delivery solutions, such as blow-fill seal, prefilled syringes, and biologics. It comprises 13% of revenue and 11% of EBITDA. Unlike Oral Technologies, this segment's EBITDA margin is expected to remain on an upward trajectory.

Exhibit 12

MDS REVENUE AND EBITDA TREND



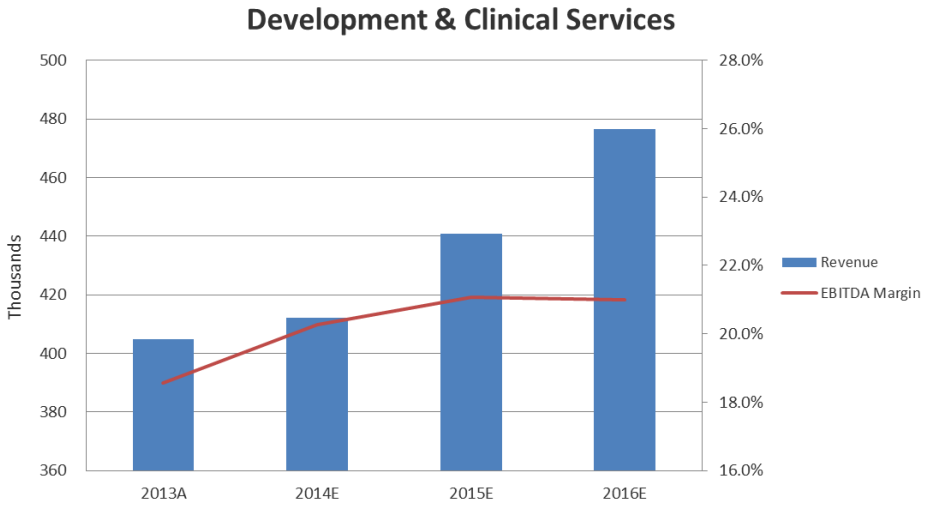
Source: Piper Jaffray Research, Company reports

Development and Clinical Services (DCS)

This segment offers services comparable to CROs, and represents 23% of total revenue and 18% of EBITDA, and is the fastest growing segment of the business. While it does appear that the EBITDA margin may taper in FY16, we are not concerned for two reasons. First, our FY15E EBITDA DCS segment margin for CTLT of 21% is a 300 bps premium above the CRO peer group median of 18%. Second, the company's overall EBITDA margin will continue to rise during this time.

Exhibit 13

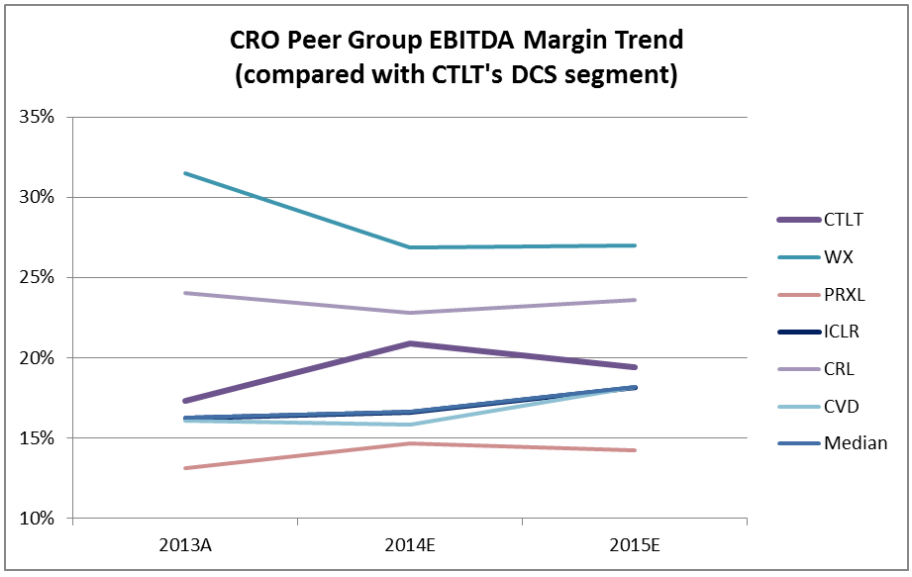
DCS REVENUE AND EBITDA TREND



Source: Piper Jaffray Research, Company reports

Exhibit 14

PEER GROUP EBITDA TREND (CY)

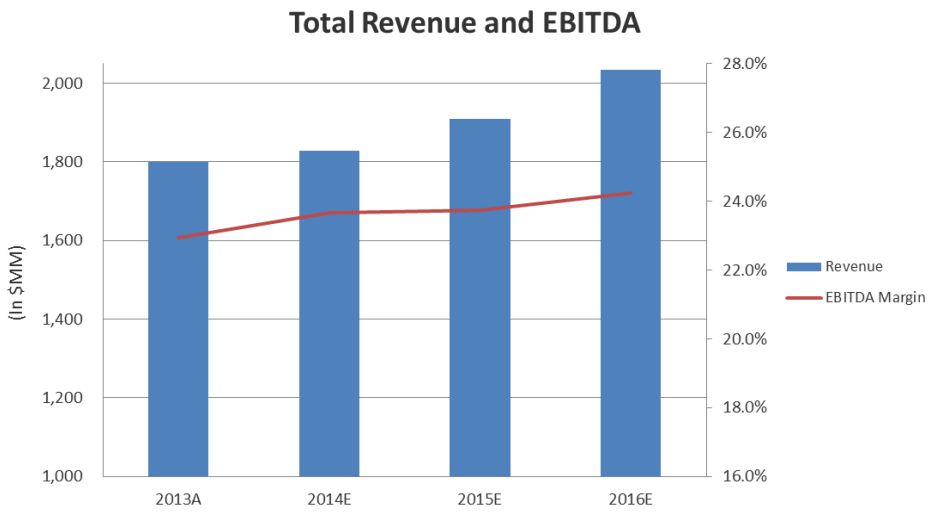


Source: Piper Jaffray Research, Company SEC Filings, Thomson

We expect overall EBITDA margins to continue to increase despite near term reinvestments pressuring profits. Factoring growth opportunities with the company's guidance, we have

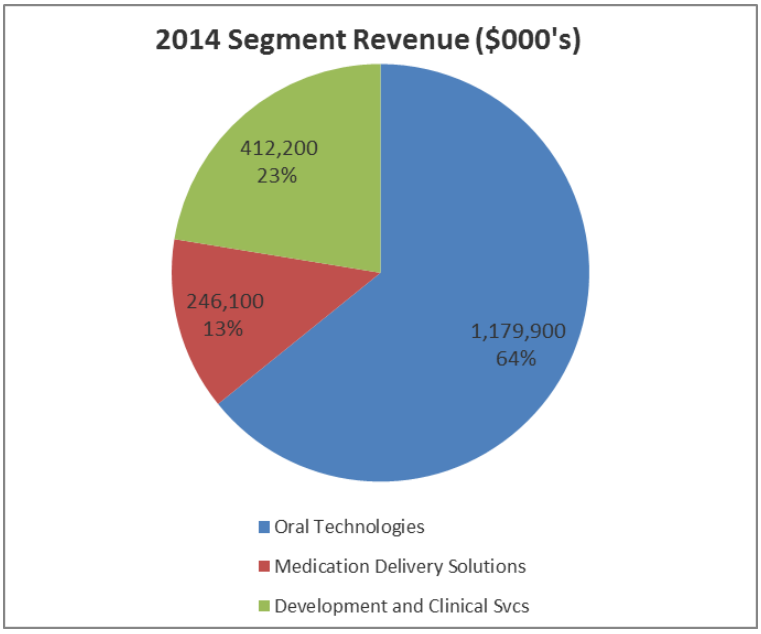
estimated overall revenue to grow y/y by 7% in 2015, and 8% in 2016. We also estimate total adjusted EBITDA to grow by 4% and 9% during each of those respective time periods. We believe this upward momentum is indicative that the company should continue to grow even after the reverse LBO event, and should help alleviate concerns regarding the sale of the company, in our view.

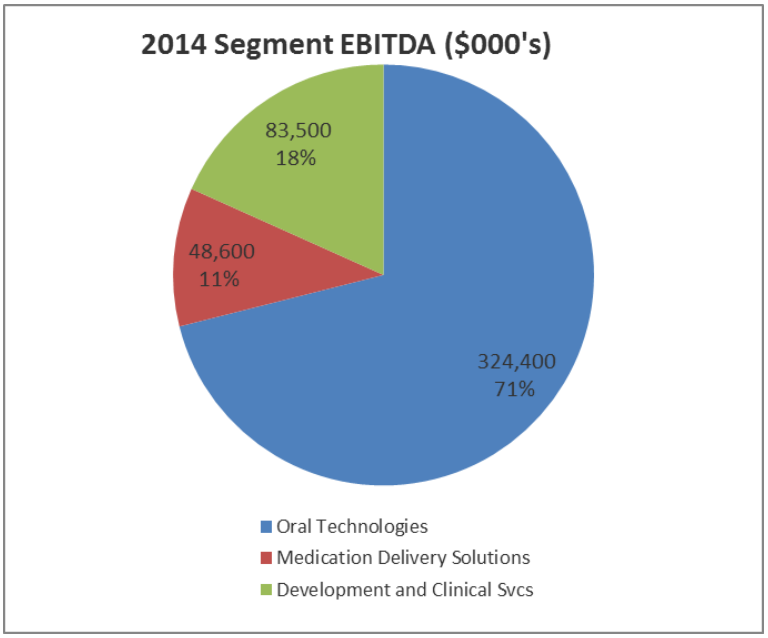
Exhibit 15



Source: Piper Jaffray Research, Company reports

Exhibit 16





Source: Piper Jaffray Research, Company reports

MODEL

Since the company provides guidance for revenue and Adjusted EBITDA, these are the primary drivers of our model. We use y/y growth rate assumptions to forecast revenue, and margins for EBITDA. FY15 revenue and EBITDA guidance are in the following ranges: $1,890-$1,915M and $450-460M, respectively. Management anticipates that near term operating investments will pressure margin growth, and we estimate a net 60 bps increase over the next two years.

MANAGEMENT

John Chiminski was named President and CEO in March 2009. Prior to Catalent, he spent 20 years at GE Healthcare in various senior leadership, engineering, and operations roles. His most recent position was President and CEO of GE Medical Diagnostics, where he oversaw the global growth of a $1.9B revenue business. Mr. Chiminski holds a BS and a MS in electrical engineering, from Michigan State and Purdue respectively. He also has a Masters in Management from Kellogg at Northwestern University.

Matthew Walsh, EVP and CFO since December 2013, has been with Catalent for six years. He has deep experience in industrial and chemicals manufacturing businesses. Prior to joining Catalent, Mr. Walsh was the President and CFO of Escala Group. Other prior experience includes corporate development, accounting, and finance at GenTek, an industrial manufacturer. He received both B.S. in chemical engineering and MBA from Cornell University, and is a CFA charter holder.

Kurt Nielsen, PhD has served as CTO and SVP - Innovation and Growth since 2010. Prior to Catalent, he was EVP – Pharmaceuticals at URLMutual Pharmaceutical Company. Before that role, he was their VP of R&D. Prior to joining URLMutual, Dr. Nielsen held several executive positions with several other pharmaceutical and biotech companies, including TEVA USA and Arco Chemical Company. He obtained his PhD in Chemistry at Villanova University, and his B.S. in Chemistry at University of Delaware.

Aris Gennadios, PhD is Catalent's President of the Softgel Technologies. He joined Cardinal Health, Catalent's predecessor, in 2002, and has held various key leadership roles including Global VP of Business Development, and GM of Oral Development. Dr. Gennadios holds a doctorate in engineering from University of Nebraska, and an MBA from Wake Forest University.

Scott Houlton, Group President of the Development and Clinical Services segment, joined Catalent in 2009. Prior to that he held leadership roles with Aptuit, Inc., Quintiles, and Cardinal Health. Mr. Houlton has a B.S. in Business Administration from The Ohio State University.

Barry Littlejohns is the President of the Advanced Delivery Technologies (ADT) segment. He joined Catalent in 1989, when it was RP Scherer. He has since held various global leadership positions within Catalent, as well as a two-year stint for Genmab, a Danish biotech company. He holds two degrees in business and finance from Swindon, UK.

Exhibit 17

INSIDER SUMMARY

Filer Name	Title	% O/S	Direct Holdings	Indirect Holdings	Total Holdings
BLACKSTONE MANAGEMENT ASSOCIATE	Beneficial Owner of More than 10% Class	0.00		64,536,152	64,536,152
Chiminski (John R)	Chief Executive Officer	0.28	332,287		332,287
Walsh (Matthew M)	Chief Financial Officer	0.08	98,742		98,742
Leonard (Stephen)	Officer	0.02	27,690		27,690
KURT NIELSEN	Chief Technology Officer	0.02	23,676		23,676
Downie (William)	Officer	0.02	22,271		22,271
MIYAMOTO LANCE	Officer	0.02	18,293		18,293
HOULTON SCOTT	Officer	0.02	18,281		18,281
LITTLEJOHNS BARRY	Officer	0.01	17,511		17,511
JOHNSON SHARON	Officer	0.01	15,393		15,393
GENNADIOS ARISTIPPOS	Officer	0.01	7,916		7,916
Stahl (Jack L)	Director	0.01	6,829		6,829
Quella (James A)	Director	0.01	6,829		6,829
Booth (Melvin D)	Director	0.01	6,829		6,829
Classon (Rolf A)	Director	0.01	6,829		6,829

As of filing date 7/31/14
Source: Thomson Financial

Source: Piper Jaffray Research, Company reports

PiperJaffray

Sean W. Wieland, Sr. Research Analyst
sean.w.wieland@pjc.com
415-616-1710
Nina Deka
nina.d.deka@pjc.com
212-284-6132

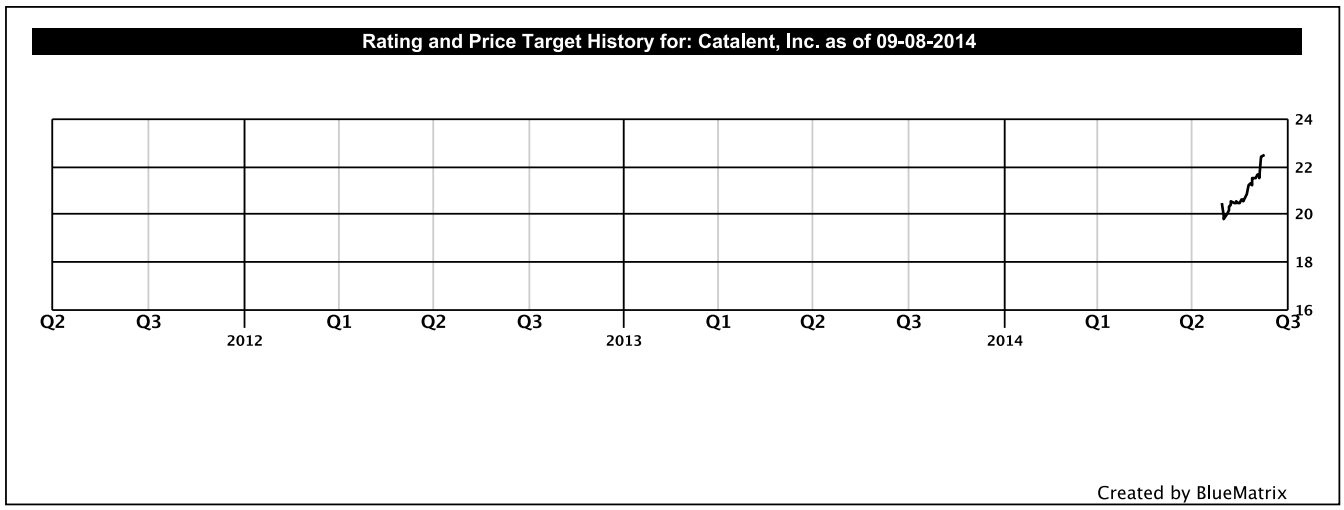
Catalent

$ in thousands, except per share data **Income Statement**	FYE 2013A	Q1A Sep-13	Q2A Dec-13	Q3A Mar-14	Q4A Jun-14	FYE 2014E	Q1E Sep-14	Q2E Dec-14	Q3E Mar-15	Q4E Jun-15	FYE 2015E	Q1E Sep-15	Q2E Dec-15	Q3E Mar-16	Q4E Jun-16	FYE 2016E
Last update: 9/8/14																
Revenue																
Oral Technologies	1,186,300	258,900	285,900	287,300	348,100	1,180,200	258,003	290,189	298,792	365,505	1,212,489	262,269	307,600	316,720	391,090	1,277,679
Medication Delivery Solutions	219,400	56,500	55,300	65,400	68,900	246,100	55,370	58,065	71,940	79,235	264,610	57,585	60,388	79,134	91,913	289,019
Development and Clinical Svcs	404,800	101,000	102,100	103,700	105,400	412,200	101,000	108,226	115,631	115,940	440,797	101,000	117,966	128,935	128,693	476,595
Revenue Elimination	(10,200)	(2,100)	(2,600)	(3,300)	(2,800)	(10,800)	(1,680)	(2,080)	(2,640)	(2,240)	(8,640)	(1,764)	(2,184)	(2,772)	(2,352)	(9,072)
Total Revenue	**1,800,300**	**414,300**	**440,700**	**453,100**	**519,600**	**1,827,700**	**412,693**	**454,400**	**483,723**	**558,440**	**1,909,256**	**419,090**	**483,770**	**522,016**	**609,344**	**2,034,221**
Gross Profit	568,600	119,200	137,400	151,700	190,300	598,600	118,738	149,952	174,046	218,486	661,221	124,769	171,738	193,044	244,495	734,047
Selling, General & Administrative	340,600	81,100	87,500	87,600	78,600	334,800	78,722	87,948	91,102	81,683	339,455	77,847	91,214	95,704	86,082	350,846
Impairment charges and (gan)/loss on sale of assets	5,200	-	-	400	2,800											
Restructuring/other	18,400	3,000	5,400	3,500	7,800											
Property/casulaty (gain)/loss, net	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating Earnings	**204,400**	**35,100**	**44,500**	**60,200**	**101,100**	**240,900**	**40,016**	**62,004**	**82,944**	**136,803**	**321,766**	**46,922**	**80,525**	**97,340**	**158,413**	**383,200**
Segment EBITDA																
Oral Technologies	315,800	60,400	74,700	76,200	113,100	324,400	57,611	72,919	79,995	119,669	330,193	55,077	75,362	94,296	130,001	354,736
Medication Delivery Solutions	31,500	8,200	6,900	15,700	17,800	48,700	9,143	7,826	17,270	19,413	53,652	7,486	6,643	20,975	24,816	59,920
Development and Clinical Svcs	75,100	15,700	18,500	23,000	26,300	83,500	18,180	20,022	25,646	28,985	92,833	15,150	17,695	31,820	35,391	100,056
Unallocated Costs				(24,400)	(29,500)	(82,100)	(25,000)	(25,000)	(25,000)	(25,000)	(100,000)	(25,000)	(25,000)	(25,000)	(25,000)	(100,000)
EBITDA from continuing operations		72,700	83,500	90,500	127,700	374,400	59,934	75,766	97,911	143,066	376,678	52,713	74,700	122,092	165,208	414,712
Total EBITDA adjustments	*(9,700)*	*9,500*	*9,900*	*15,500*	*23,000*	*(24,300)*	*9,550*	*9,550*	*9,550*	*9,550*	*38,200*	*9,800*	*9,800*	*9,800*	*9,800*	*39,200*
Total Adjusted EBITDA	**412,700**	**82,200**	**93,400**	**106,100**	**150,700**	**432,300**	**79,034**	**94,866**	**117,011**	**162,166**	**453,078**	**72,313**	**94,300**	**141,692**	**184,808**	**493,112**
Interest Expense	203,200	40,900	41,500	40,400	40,300	163,100	23,500	23,500	23,500	23,500	94,000	20,000	20,000	20,000	20,000	80,000
Other (income)/expense, net		(1,000)	(1,400)	5,200	7,600		(1,000)	(1,400)	5,200	7,600	10,400					
Earnings/(loss) from coninuing operations before income taxes	(23,900)	(4,800)	4,400	14,600	53,200	67,400	17,516	39,904	54,244	105,703	217,366	26,922	60,525	77,340	138,413	303,200
Income tax expense/(benefit)	24,100	(6,600)	23,300	6,600	26,200	49,500	5,255	11,971	16,273	31,711	65,210	10,769	24,210	30,936	55,365	121,280
Earnings/(loss) from continuing operations	(48,000)	1,800	(18,900)	8,000	27,000	17,900	12,261	27,933	37,971	73,992	152,156	16,153	36,315	46,404	83,048	181,920
Net earnings/(loss) from discountinued operations, net of tax	1,200	(400)	(600)	(1,700)	-	(2,700)	(400)	(600)	(1,700)	(1,700)	(4,400)	(400)	(600)	(1,700)	(1,700)	(4,400)
Net earnings/(loss)	(46,800)	1,400	(19,500)	6,300	27,000	15,200	11,861	27,333	36,271	72,292	147,756	15,753	35,715	44,704	81,348	177,520
Minoirty Interest	(100)	(100)	(300)	(400)	(200)	(1,000)	(100)	(300)	(400)	(400)	(1,200)	(100)	(300)	(400)	(400)	(1,200)
Net earnings/(loss) attributable to Catalent	**(46,700)**	**1,500**	**(19,200)**	**6,700**	**27,200**	**16,200**	**11,961**	**27,633**	**36,671**	**72,692**	**148,956**	**15,853**	**36,015**	**45,104**	**81,748**	**178,720**
Adjusted Net Income/ (loss)	**43,100**	**(1,500)**	**27,900**	**39,000**	**77,000**	**142,400**	**25,413**	**44,071**	**55,130**	**96,126**	**220,740**	**33,338**	**60,520**	**73,272**	**120,930**	**288,060**
Adjusted EPS							**0.22**	**0.36**	**0.44**	**0.77**	**1.79**	**0.27**	**0.49**	**0.59**	**0.97**	**2.31**
Diluted shares outstanding					*9,792*	*74,801*	*115,000*	*124,000*	*124,124*	*124,248*	*121,843*	*124,372*	*124,497*	*124,621*	*124,746*	*124,559*
Calendar Year:																
Revenue	1,807,200					1,839,793					1,945,023					
y/y Growth %						2%					5.7%					
EBITDA	404,300					430,700					445,790	23%				
Operating Earnings	206,000					263,320					347,194					
Net Income	(17,300)					73,494					161,231					
Adj Net Income						182,022					215,251					
Adj EPS	na					na					$ 1.73					
Development and Clin Svcs Revenue	402,800					418,326					450,537					
Development and Clin Svcs EBITDA	69,700					87,502					87,476					
DCS EBITDA Mgn	17%					21%					19%					
Analysis:																
Total Gross Profit	32%	29%	31%	33%	37%	33%	28.8%	33.0%	36.0%	39.1%	35%	29.8%	35.5%	37.0%	40.124%	36%
Selling, General, & Admin Expenses	19%	20%	20%	19%	15%	18%	19.1%	19.4%	18.8%	14.6%	18%	18.6%	18.9%	18.3%	14.1%	17%
Total Operating Expenses																
Operating Margin	11%	8%	10%	13%	17%	13%	8%	14%	17%	24%	17%	11%	17%	19%	26%	19%
EBITDA Margin - Oral Technologies	27%	23%	26%	27%	32%	27%	22%	25%	27%	33%	27%	21.0%	24.5%	29.8%	33.2%	28%
EBITDA Margin - Medication Delivery Solutions	14%	15%	12%	24%	26%	20%	17%	13%	24%	25%	20%	13.0%	11.0%	26.5%	27.0%	21%
EBITDA Margin - Development and Clinical Svcs	19%	16%	18%	22%	25%	20%	18%	19%	22%	25%	21%	15.0%	15.0%	24.7%	27.5%	21%
EBITDA Margin - Total	23%	20%	21%	23%	29%	23.7%	19%	21%	24%	29%	23.7%	17%	19%	27%	30%	24.2%
Incremental EBITDA Margin	23%	-4%	-180%	90%	157%	72%	30%	30%	30%	30%	25%	-105%	-2%	64%	44%	32%
income tax rate				45%	40%		40%	40%	40%	40%	30%	40%	40%	40%	40%	40%
Interest Coverage Ratio	203%															
y/y growth:																
Revenue- Oral Technologies	-3%	0%	-1%	-5%	4%	-1%	0%	2%	4%	5%	3%	2%	6%	6%	7%	5%
Revenue- Medication Delivery Solutions	-2%	26%	5%	21%	1%	12%	-2%	5%	10%	15%	8%	4%	4%	10%	16.00%	9%
Revenue- Development and Clinical Svcs	51%	-7%	6%	12%	-1%	2%	0%	6%	12%	10%	7%	0%	9%	12%	11.00%	8%
Revenue - Total	6%	1%	1%	1%	3%	2%	0%	3%	7%	7%	4%	2%	6%	8%	9%	7%
EBITDA - Oral Technologies	-6%	2%	-6%	0%	12%	3%	-5%	-2%	5%	6%	2%	-4%	3%	18%	9%	7%
EBITDA - Medication Delivery Solutions	14%	310%	1%	89%	24%	55%	12%	13%	10%	9%	10%	-18%	-15%	21%	28%	12%
EBITDA - Development and Clinical Svcs	42%	-25%	-1%	45%	34%	11%	16%	8%	12%	10%	11%	-17%	-12%	24%	22%	8%
Total Adj EBITDA		0%	-8%	5%	18%	7%	-4%	2%	10%	8%	4%	-9%	-1%	21%	14%	9%

Source: Company Reports, Piper Jaffray Research

Current disclosure information for this company is located at
http://www.piperjaffray.com/researchdisclosures

IMPORTANT RESEARCH DISCLOSURES



Notes: The boxes on the Rating and Price Target History chart above indicate the date of the Research Note, the rating, and the price target. Each box represents a date on which an analyst made a change to a rating or price target, except for the first box, which may only represent the first Note written during the past three years.

Legend:
I: Initiating Coverage
R: Resuming Coverage
T: Transferring Coverage
D: Discontinuing Coverage
S: Suspending Coverage
OW: Overweight
N: Neutral
UW: Underweight
NA: Not Available
UR: Under Review

Distribution of Ratings/IB Services
Piper Jaffray

			IB Serv./Past 12 Mos.	
Rating	Count	Percent	Count	Percent
BUY [OW]	361	61.29	100	27.70
HOLD [N]	217	36.84	24	11.06
SELL [UW]	11	1.87	0	0.00

Note: Distribution of Ratings/IB Services shows the number of companies currently in each rating category from which Piper Jaffray and its affiliates received compensation for investment banking services within the past 12 months. FINRA rules require disclosure of which ratings most closely correspond with "buy," "hold," and "sell" recommendations. Piper Jaffray ratings are not the equivalent of buy, hold or sell, but instead represent recommended relative weightings. Nevertheless, Overweight corresponds most closely with buy, Neutral with hold and Underweight with sell. See Stock Rating definitions below.

Analyst Certification — Sean W. Wieland, Sr Research Analyst
— Nina Deka, Research Analyst

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- **Underweight (UW):** Anticipated to underperform relative to the median of the group of stocks covered by the analyst.

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