

## Equity Research

### Catalent, Inc.

#### CTLT: FQ1 2015 Earnings Full Analysis

• **What to do from here.** CTLT's FQ1 2015 revenue and operating income were solid, but the quarter presented some optical challenges, including a large EPS miss due higher interest expense and a much higher tax rate. Management's commentary around guidance and the company's outlook also lacked clarity. Management indicated its fundamental outlook for the rest of the year has improved modestly, but this is difficult to see in the numbers (guidance was unchanged, with revenue from the Micron acquisition offsetting increased FX headwinds to some degree). Despite the noise in the quarter, the fundamental long-term outlook is largely unchanged. Our valuation range is also unchanged, but our FY14/FY15E EPS increases to \$1.76/1.99 from \$1.71/1.90 previously, primarily on non-operational modifications to our model.

• **Financial highlights.** CTLT reported EPS of \$0.15 vs. our \$0.17 estimate (using our methodology). Using the company's methodology, which also excludes stock comp and FX translation, EPS would have been \$0.13 versus consensus of \$0.20. The EPS miss was due entirely to higher interest expense (timing of debt pay down post-IPO) and a higher tax rate (we think due to inherent variability in cash tax payments). Revenue of \$418MM beat consensus of \$411MM, with solid performance across all segments. Operating income also beat our estimate due to particularly strong margin performance in DCS (product mix, higher U.S project volumes, and growth of the oral solids business) and in MDS (product mix and increased operating leverage).

• **Guidance highlights.** Management maintained guidance of adjusted income of \$215-225MM on revenue of \$1,890-1,950MM. We note management expects revenue to be weighted toward the back half of the year with approximately a 3% FX headwind. Net interest expense guidance increased to approximately \$105MM due to a higher-than-expected interest expense in Q1. The acquisition of Micron Technologies, which was announced on the call, is expected to add about \$20MM (~1%) to Catalent's revenue base.

#### Valuation Range: \$27.00 to \$29.00

Our valuation range is DCF-based (WACC = 8.0%; terminal NOPLAT growth = 2%) and represents 15.5x our CY2015 EPS estimate. Risks include (1) short-term volatility, due to general order lumpiness; (2) potential for regulatory missteps; (3) weak product sales by customers; (4) control company status; (5) high leverage; and (6) FX volatility.

#### Investment Thesis:

We believe the Pharma Services sector has favorable long-term trends, and within that space, Catalent is positioned relative to peers with a stable and diversified business model, although one with lower growth. Considering these factors, we view CTLT's valuation as reasonably attractive, with room for expanding multiples if Catalent successfully executes on growth opportunities to move its long-term growth profile higher.

## Outperform / V

Sector: Pharmaceutical Services

Market Weight

### Earnings Estimates Revised Up

EPS	2014A	2015E		2016E	
		Curr.	Prior	Curr.	Prior
Q1 (Sep.)	NE	0.15 A	0.17	0.29	0.22
Q2 (Dec.)	NE	0.32	0.30	0.36	0.35
Q3 (Mar.)	NE	0.48	0.45	0.53	0.51
Q4 (June)	NE	0.77	0.76	0.82	0.83
FY	1.86	1.76	1.71	1.99	1.90
CY	\$1.76	\$1.90		\$2.07	
FY P/EPS	12.8x	13.5x		12.0x	
Rev.(MM)	\$1,828	\$1,900		\$2,005	

Source: Company Data, Wells Fargo Securities, LLC estimates, and Reuters  
 NA = Not Available, NC = No Change, NE = No Estimate, NM = Not Meaningful  
 V = Volatile, \* = Company is on the Priority Stock List

Excludes amortization of acquired intangible assets

Ticker	CTLT
Price (11/13/2014)	\$23.81
52-Week Range:	\$19-27
Shares Outstanding: (MM)	123.6
Market Cap.: (MM)	\$2,942.9
S&P 500:	2,039.33
Avg. Daily Vol.:	367,093
Dividend/Yield:	\$0.00/0.0%
LT Debt: (MM)	\$2,711.0
LT Debt/Total Cap.:	4.4%
ROE:	NE
3-5 Yr. Est. Growth Rate:	7.0%
CY 2014 Est. P/EPS-to-Growth:	1.9x
Last Reporting Date:	11/13/2014
	After Close

Source: Company Data, Wells Fargo Securities, LLC estimates, and Reuters

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Please see page 5 for rating definitions, important disclosures and required analyst certifications

All estimates/forecasts are as of 11/13/14 unless otherwise stated.

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Together we'll go far



**Exhibit 1. Variance Table.****Catalent FQ1 2015 Variance Table**

Reported 11/13/2014

FY ending June In millions except EPS	Actual		Est	Actual	Cons	Yr / Yr change	Seq change
	F1Q14	F4Q14	F1Q15	F1Q15	F1Q15		
Net revenue	\$ 414	\$ 520	\$ 416	\$ 418	\$ 411	1.0%	(19.5%)
Cost of revenue	295	329	298	293		(0.7%)	(11.0%)
Gross profit	119	190	118	125		5.1%	(34.2%)
SG&A	64	64	67	67		4.5%	5.2%
Operating income	55	127	51	58		5.8%	(53.9%)
Interest expense, net	41	40	31	36			
Other expense (income)	(1)	(3)	-	(3)			
Pretax income	15	90	21	26		68.8%	(71.0%)
Income tax expense (benefit)	17	10	2	11			
Earnings/(loss) from continuing ops	\$ (1)	\$ 79	\$ 18	\$ 15		(1456.8%)	(80.9%)
Minority interest, net of tax	(0)	(0)	(0)	(0)			
Net earnings (loss) to Catalent	\$ (1)	\$ 79	\$ 18	\$ 16		(1629.4%)	(80.4%)
<b>Non-GAAP EPS</b>	<b>\$ (0.01)</b>	<b>\$ 1.04</b>	<b>\$ 0.17</b>	<b>\$ 0.15</b>		<b>(1202.1%)</b>	<b>(85.8%)</b>
Non-GAAP EPS (company method)	\$ (0.02)		\$ 0.18	\$ 0.13	\$ 0.20		
Diluted shares outstanding	76.1	76.1	108.7	105.5		38.8%	38.7%
<b>EBITDA</b>	<b>\$ 82</b>	<b>\$ 150</b>	<b>\$ 78</b>	<b>\$ 85</b>		<b>4.9%</b>	<b>(43.0%)</b>
<b>MARGIN ANALYSIS</b>						<b>Yr / Yr</b>	<b>Seq</b>
Cost of revenue / net revenue	71.2%	63.4%	71.6%	70.0%		(120) bps	670 bps
<b>Gross margin</b>	<b>28.8%</b>	<b>36.6%</b>	<b>28.4%</b>	<b>30.0%</b>		<b>120 bps</b>	<b>(670) bps</b>
SG&A / net revenue	15.4%	12.2%	16.0%	16.0%		50 bps	380 bps
<b>Operating margin</b>	<b>13.3%</b>	<b>24.4%</b>	<b>12.4%</b>	<b>14.0%</b>		<b>60 bps</b>	<b>(1040) bps</b>
Pretax margin	3.7%	17.3%	5.0%	6.2%		250 bps	(1100) bps
<b>Tax rate</b>	<b>107.3%</b>	<b>11.6%</b>	<b>11.9%</b>	<b>41.7%</b>		<b>(6560) bps</b>	<b>3010 bps</b>
Net margin	(0.2%)	15.3%	4.4%	3.7%		400 bps	(1160) bps
<b>EBITDA margin</b>	<b>19.7%</b>	<b>28.8%</b>	<b>18.9%</b>	<b>20.4%</b>		<b>80 bps</b>	<b>(840) bps</b>
<b>SEGMENT ANALYSIS</b>						<b>Yr / Yr</b>	<b>Seq</b>
<b>Oral Technologies</b>	<b>\$ 259</b>	<b>\$ 348</b>	<b>\$ 261</b>	<b>\$ 261</b>		<b>0.8%</b>	<b>(25.0%)</b>
Growth: core	4.7%	4.2%	0.0%	1.5%			
Growth: FX	(1.0%)	(1.5%)	(0.1%)	(1.4%)			
Growth: acq/div	(4.0%)	1.8%	0.8%	0.8%			
Growth: total	(0.3%)	4.4%	0.7%	0.8%			
<b>Adj. EBITDA</b>	<b>\$ 60</b>	<b>\$ 113</b>	<b>\$ 57</b>	<b>\$ 58</b>		<b>(4.5%)</b>	<b>(49.0%)</b>
Margin	23.3%	32.5%	22.0%	22.1%		(120) bps	(1040) bps
<b>Medication Delivery Solutions</b>	<b>\$ 57</b>	<b>\$ 69</b>	<b>\$ 55</b>	<b>\$ 57</b>		<b>0.7%</b>	<b>(17.4%)</b>
Growth: core	22.0%	0.6%	(2.5%)	0.7%			
Growth: FX	3.8%	0.6%	(0.1%)	0.0%			
Growth: acq/div	0.0%	0.0%	0.0%	0.0%			
Growth: total	25.8%	1.2%	(2.6%)	0.7%			
<b>Adj. EBITDA</b>	<b>\$ 8</b>	<b>\$ 18</b>	<b>\$ 8</b>	<b>\$ 10</b>		<b>20.7%</b>	<b>(44.4%)</b>
Margin	14.5%	25.8%	14.5%	17.4%		290 bps	(840) bps
<b>Development &amp; Clinical Services</b>	<b>\$ 101</b>	<b>\$ 105</b>	<b>\$ 102</b>	<b>\$ 103</b>		<b>2.1%</b>	<b>(2.2%)</b>
Growth: core	(7.3%)	(4.1%)	0.0%	(0.7%)			
Growth: FX	0.2%	2.9%	1.4%	2.8%			
Growth: acq/div	0.0%	0.0%	0.0%	0.0%			
Growth: total	(7.1%)	(1.2%)	1.4%	2.1%			
<b>Adj. EBITDA</b>	<b>\$ 16</b>	<b>\$ 26</b>	<b>\$ 16</b>	<b>\$ 21</b>		<b>36.3%</b>	<b>(18.6%)</b>
Margin	15.5%	25.0%	16.0%	20.8%		520 bps	(420) bps
<b>Intracompany Eliminations</b>	<b>\$ (2)</b>	<b>\$ (3)</b>	<b>\$ (3)</b>	<b>\$ (3)</b>			
% of total	(0.5%)	(0.5%)	(0.6%)	(0.7%)			
<b>Total Revenue</b>	<b>\$ 414</b>	<b>\$ 520</b>	<b>\$ 416</b>	<b>\$ 418</b>		<b>1.0%</b>	<b>(19.5%)</b>
Growth: core	3.3%	2.0%	(0.4%)	0.7%			
Growth: FX	(0.2%)	(0.3%)	0.3%	(0.2%)			
Growth: acq/div	(2.5%)	1.2%	0.5%	0.5%			
Growth: total	0.6%	2.9%	0.3%	1.0%			
<b>Corporate expenses</b>	<b>\$ (3)</b>	<b>\$ (7)</b>	<b>\$ (2)</b>	<b>\$ (4)</b>		<b>26.3%</b>	<b>(51.5%)</b>
% of total revenue	0.7%	1.4%	0.5%	0.8%			

Source: Company filings &amp; Wells Fargo Securities, LLC estimates

Revenue &amp; EPS consensus are First Call via FactSet; Other consensus figures from StreetAccount consensus

**Exhibit 2. Guidance Highlights.**

Guidance	FQ1 2015	FQ2 2015	FQ3 2015	FQ4 2015	FY 2015	Notes
<b>Consolidated Revenue (MM)</b>						
9/4/2014					\$1,890-1,915	
11/13/2014					\$1,890-1,915	Modestly improved outlook; 2H weighted; ~3% FX HW
<b>Adjusted EBITDA (MM)</b>						
9/4/2014					\$450-460	
11/13/2014					\$450-460	
<b>Interest (MM)</b>						
7/15/2014					\$91-96	
11/13/2014		\$23-25			~\$105	
<b>Cash Taxes (MM)</b>						
3/14/2014					\$36	See note; Will change due to refi
7/15/2014					\$27-32	
<b>Adj. Net Income (MM)</b>						
9/4/2014					\$215-225	
11/13/2014					\$215-225	
<b>Shares (MM)</b>						
9/4/2014				119		Does not include any shoe (could be up to 6MM)
11/13/2014					123.6	
<b>Capex (MM)</b>						
9/4/2014					\$115-125	
11/13/2014					\$115-125	

Source: Company press releases and transcripts; Wells Fargo Securities, LLC

Consensus	FQ1 2015	FQ2 2015E	FQ3 2015	FQ4 2015E	FY 2015E
<b>Revenue (MM)</b>					
Consensus		\$ 453	\$ 482	\$ 556	\$ 1,902
Wells Fargo	\$ 418	\$ 453	\$ 479	\$ 549	\$ 1,900
<b>Non-GAAP EPS</b>					
Consensus		\$ 0.34	\$ 0.47	\$ 0.77	\$ 1.80
Wells Fargo*	\$ 0.13	\$ 0.33	\$ 0.49	\$ 0.78	\$ 1.78

Source: FactSet; Company Data; Wells Fargo Securities, LLC estimates

\*Wells Fargo estimates reflect our estimates modified for the company's methodology

**Exhibit 3. Earnings Model (Calendarized).**

Catalent Quarterly Data (Calendarized)

In millions, except EPS

NON-GAAP INCOME STATEMENT	2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014E	2014E	2015E	2016E
Net revenue	\$ 1,768	\$ 447	\$ 505	\$ 414	\$ 441	\$ 1,807	\$ 453	\$ 520	\$ 418	\$ 453	\$ 1,844	\$ 1,947	\$ 2,048
Cost of revenue	1,196	310	332	295	303	1,240	301	329	293	313	1,236	1,312	1,378
Gross profit	572	137	174	119	137	568	152	190	125	141	608	635	671
SG&A	277	64	69	64	71	268	71	64	67	75	276	282	284
Operating income	294	73	105	55	66	300	81	127	58	66	332	353	386
Interest expense, net	207	54	43	41	42	179	40	40	36	23	140	93	92
Other expense	(0)	8	(1)	(1)	(1)	5	5	(3)	(3)	-	(1)	-	-
Pretax income	87	11	64	15	26	117	36	90	26	42	194	260	294
Income tax expense (benefit)	31	6	5	17	(3)	25	2	10	11	3	27	25	37
Earnings/(loss) from continuing ops	\$ 57	\$ 6	\$ 58	\$ (1)	\$ 29	\$ 92	\$ 33	\$ 79	\$ 15	\$ 39	\$ 167	\$ 235	\$ 257
Minority interest, net of tax	1	-	(0)	(0)	(0)	(1)	(0)	(0)	(0)	(0)	(1)	(1)	(1)
Net earnings (loss) attributable to Catalent	\$ 56	\$ 6	\$ 59	\$ (1)	\$ 29	\$ 92	\$ 34	\$ 79	\$ 16	\$ 39	\$ 168	\$ 237	\$ 258
Non-GAAP EPS				\$ (0.01)		\$ 1.23	\$ 0.44	\$ 1.04	\$ 0.15	\$ 0.32	\$ 1.76	\$ 1.90	\$ 2.07
Non-GAAP EPS (company method)				\$ (0.02)					\$ 0.13				
Diluted shares outstanding				76.1		75.0	76.1	76.1	105.5	124.8	95.6	124.8	124.9
EBITDA	\$ 401	\$ 101	\$ 131	\$ 82	\$ 93	\$ 407	\$ 105	\$ 150	\$ 85	\$ 93	\$ 433	\$ 463	\$ 497
<b>MARGIN ANALYSIS</b>													
Cost of revenue / net revenue	67.7%	69.3%	65.6%	71.2%	68.8%	68.6%	66.5%	63.4%	70.0%	69.0%	67.0%	67.4%	67.3%
Gross margin	32.3%	30.7%	34.4%	28.8%	31.2%	31.4%	33.5%	36.6%	30.0%	31.0%	33.0%	32.6%	32.7%
SG&A / net revenue	15.7%	14.4%	13.6%	15.4%	16.1%	14.8%	15.6%	12.2%	16.0%	16.5%	15.0%	14.5%	13.9%
Operating margin	16.6%	16.3%	20.8%	13.3%	15.1%	16.6%	17.9%	24.4%	14.0%	14.5%	18.0%	18.1%	18.9%
Pretax margin	4.9%	2.6%	12.6%	3.7%	5.9%	6.5%	7.8%	17.3%	6.2%	9.3%	10.5%	13.4%	14.4%
Tax rate	34.9%	50.9%	8.1%	107.3%	(10.5%)	21.2%	6.2%	11.6%	41.7%	8.0%	13.9%	9.5%	12.5%
Net margin	3.2%	1.3%	11.6%	(0.2%)	6.6%	5.1%	7.4%	15.3%	3.7%	8.7%	9.1%	12.2%	12.6%
EBITDA margin	22.7%	22.6%	26.0%	19.7%	21.1%	22.5%	23.2%	28.8%	20.4%	20.5%	23.5%	23.8%	24.3%
<b>CHANGE ANALYSIS (YR / YR)</b>													
Net revenue		1%	6%	1%	1%	2%	1%	3%	1%	3%	2%	6%	5%
Cost of revenues		6%	6%	0%	2%	4%	(3%)	(1%)	(1%)	3%	(0%)	6%	5%
Gross profit		(7%)	5%	1%	(2%)	(1%)	10%	10%	5%	2%	7%	5%	6%
SG&A		(0%)	(15%)	1%	3%	(3%)	10%	(7%)	5%	5%	3%	2%	1%
Operating income		(13%)	24%	2%	(7%)	2%	11%	20%	6%	(1%)	11%	6%	9%
Pretax income		(69%)	88%	5033%	56%	33%	211%	41%	69%	62%	66%	34%	13%
Net income		(80%)	217%	(86%)	71%	65%	501%	36%	(1629%)	35%	82%	41%	9%
EPS												8%	9%
Diluted shares outstanding												31%	0%
EBITDA		(8%)	18%	0%	(6%)	1%	4%	14%	5%	(0%)	6%	7%	7%
<b>SEGMENT ANALYSIS</b>													
<b>Oral Technologies</b>	\$ 1,189	\$ 303	\$ 333	\$ 259	\$ 286	\$ 1,181	\$ 287	\$ 348	\$ 261	\$ 287	\$ 1,183	\$ 1,241	\$ 1,304
Growth: core	2.4%	(2.6%)	4.9%	4.7%	1.1%	1.9%	(4.2%)	4.2%	1.5%	2.0%	0.9%	6.8%	5.0%
Growth: FX	(3.9%)	(1.5%)	(1.7%)	(1.0%)	(1.5%)	(1.4%)	(1.9%)	(1.5%)	(1.4%)	(2.7%)	(0.9%)	(1.9%)	0.0%
Growth: acq/div	0.0%	0.0%	0.0%	(4.0%)	(1.0%)	(1.1%)	0.8%	1.8%	0.8%	1.0%	1.1%	0.0%	0.0%
Growth: total	5.0%	(4.1%)	3.2%	(1.5%)	(1.5%)	(2.9%)	(5.2%)	4.4%	0.8%	0.3%	(0.5%)	3.0%	5.0%
Adj. EBITDA	\$ 328	\$ 77	\$ 101	\$ 60	\$ 75	\$ 312	\$ 76	\$ 113	\$ 58	\$ 69	\$ 316	\$ 332	\$ 352
Margin	27.4%	25.2%	30.2%	23.3%	26.1%	26.6%	26.5%	32.5%	22.1%	24.0%	27.5%	26.7%	27.0%
<b>Medication Delivery Solutions</b>	\$ 215	\$ 54	\$ 68	\$ 57	\$ 55	\$ 234	\$ 65	\$ 69	\$ 57	\$ 62	\$ 253	\$ 272	\$ 288
Growth: core	(2.3%)	(9.4%)	16.5%	22.0%	3.2%	7.2%	18.9%	0.6%	0.7%	6.0%	6.1%	4.2%	5.5%
Growth: FX	(3.6%)	(0.2%)	1.9%	3.8%	2.1%	1.8%	2.4%	0.6%	0.0%	(1.7%)	0.3%	(1.2%)	0.0%
Growth: acq/div	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	7.2%	1.7%	4.7%	0.0%
Growth: total	(5.9%)	(9.6%)	18.4%	25.8%	5.3%	9.0%	21.3%	1.2%	0.7%	11.5%	8.1%	7.8%	5.5%
Adj. EBITDA	\$ 26	\$ 8	\$ 14	\$ 8	\$ 7	\$ 38	\$ 16	\$ 18	\$ 10	\$ 10	\$ 53	\$ 57	\$ 61
Margin	12.3%	15.4%	21.1%	14.5%	12.7%	14.4%	24.0%	25.8%	17.4%	16.0%	19.8%	20.7%	21.2%
<b>Development &amp; Clinical Services</b>	\$ 378	\$ 93	\$ 107	\$ 101	\$ 102	\$ 403	\$ 104	\$ 105	\$ 103	\$ 108	\$ 420	\$ 445	\$ 469
Growth: core	23.0%	(0.1%)	6.0%	(7.3%)	5.1%	0.8%	9.0%	(4.1%)	(0.7%)	8.0%	2.8%	8.0%	5.5%
Growth: FX	(1.9%)	0.0%	(0.7%)	0.2%	0.8%	0.1%	2.5%	2.9%	2.8%	(2.6%)	1.4%	(2.1%)	0.0%
Growth: acq/div	91.7%	30.9%	0.0%	0.0%	0.0%	5.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Growth: total	112.8%	30.8%	5.3%	(7.1%)	5.9%	6.7%	11.5%	(1.2%)	2.1%	5.4%	4.2%	5.9%	5.5%
Adj. EBITDA	\$ 74	\$ 16	\$ 20	\$ 16	\$ 19	\$ 70	\$ 23	\$ 26	\$ 21	\$ 19	\$ 90	\$ 92	\$ 99
Margin	19.8%	17.1%	18.3%	15.5%	18.1%	18.5%	22.2%	25.0%	20.8%	18.0%	20.3%	20.5%	21.0%
<b>Intracompany Revenue Eliminations</b>	\$ (13)	\$ (3)	\$ (3)	\$ (2)	\$ (3)	\$ (11)	\$ (3)	\$ (3)	\$ (3)	\$ (3)	\$ (12)	\$ (12)	\$ (12)
% of total	(1.0%)	(0.7%)	(0.6%)	(0.5%)	(0.6%)	(0.6%)	(0.7%)	(0.5%)	(0.7%)	(0.6%)	(0.6%)	(0.6%)	(0.6%)
<b>Total Revenue</b>	\$ 1,768	\$ 447	\$ 505	\$ 414	\$ 441	\$ 1,807	\$ 453	\$ 520	\$ 418	\$ 453	\$ 1,844	\$ 1,947	\$ 2,048
Total growth: core	4.6%	(2.6%)	6.7%	3.3%	2.3%	2.5%	1.3%	2.0%	0.7%	3.8%	2.0%	6.8%	5.2%
Total growth: FX	(3.7%)	(1.1%)	(1.0%)	(0.2%)	(0.6%)	(0.7%)	(0.5%)	(0.3%)	(0.2%)	(2.6%)	(0.9%)	(1.9%)	0.0%
Total growth: acq/div	10.2%	5.0%	0.0%	(2.5%)	(0.7%)	0.5%	0.6%	1.2%	0.5%	1.6%	1.0%	0.7%	0.0%
Growth: total	11.1%	1.3%	5.6%	0.6%	1.1%	2.2%	1.4%	2.9%	1.0%	2.8%	2.0%	5.6%	5.2%
<b>Corporate expenses</b>	\$ (26)	\$ 0	\$ (3)	\$ (3)	\$ (7)	\$ (13)	\$ (10)	\$ (7)	\$ (4)	\$ (4)	\$ (24)	\$ (13)	\$ (10)
% of total revenue	1.5%	(0.0%)	0.7%	0.7%	1.6%	0.7%	2.2%	1.4%	0.8%	0.8%	1.3%	0.7%	0.5%

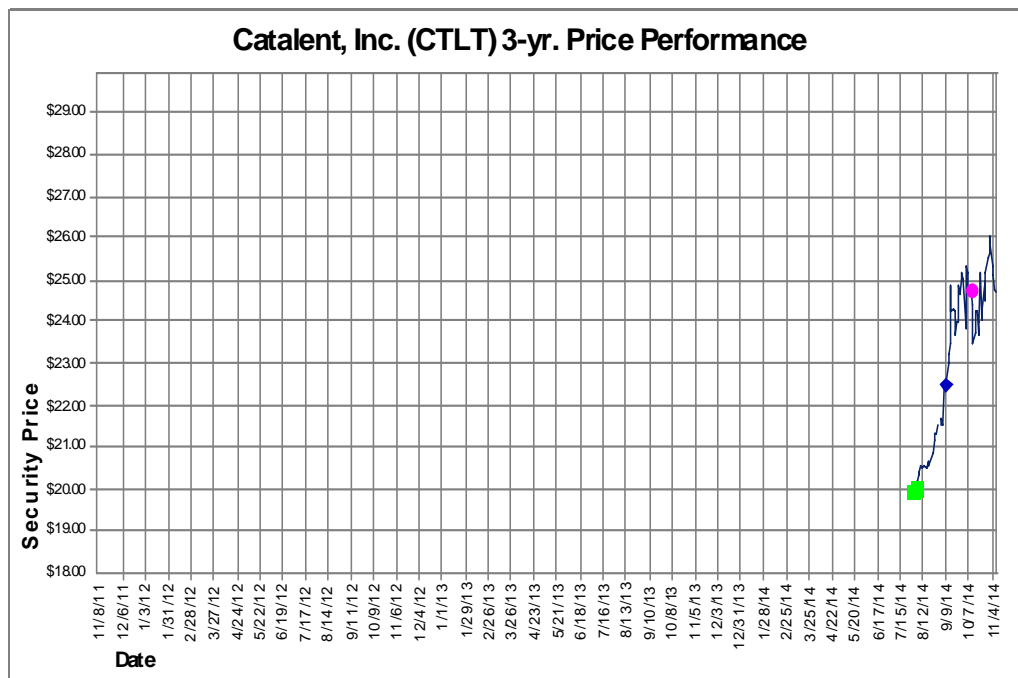
Source: Company data and Wells Fargo Securities, LLC estimates

**Company Description:**

Somerset, New Jersey-based Catalent, Inc. (NYSE: CTLT) leverages its proprietary drug delivery technologies to provide contract manufacturing services of final dose form pharmaceutical and consumer health products. Catalent also offers logistics and chemistry, manufacturing, and control (CMC) services for drugs in development.

The company has three segments: Oral Technologies (OT), Medication Delivery Solutions (MDS), and Development and Clinical Services (DCS). OT and MDS are sometimes referred to jointly as the Advanced Delivery Technologies (ADT) business. The OT segment primarily provides oral dose form manufacturing leveraging Catalent's softgel and modified release technologies. The MDS segment primarily provides dose form manufacturing for drugs administered via injection, inhalation, and ophthalmic routes, leveraging both traditional and advanced technologies. The DCS business provides manufacturing and logistics services for drugs in clinical trials as well as analytical testing for drug development.

## Required Disclosures



	Date	Publication Price (\$)	Rating Code	Val. Rng. Low	Val. Rng. High	Close Price (\$)
□	7/31/2014		IPO at \$20.50			
	9/9/2014		Evans			
◆	9/9/2014	22.50	1	25.00	27.00	22.48
●	10/8/2014	24.77	1	27.00	29.00	24.77

Source: Wells Fargo Securities, LLC estimates and Reuters data

### Symbol Key

▼	Rating Downgrade	◆	Initiation, Resumption, Drop or Suspend
▲	Rating Upgrade	■	Analyst Change
●	Valuation Range Change	□	Split Adjustment

### Rating Code Key

1	Outperform/Buy	SR	Suspended
2	Market Perform/Hold	NR	Not Rated
3	Underperform/Sell	NE	No Estimate

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I certify that:

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## SECTOR RATING

**O=Overweight:** Industry expected to outperform the relevant broad market benchmark over the next 12 months.

**M=Market Weight:** Industry expected to perform in-line with the relevant broad market benchmark over the next 12 months.

**U=Underweight:** Industry expected to underperform the relevant broad market benchmark over the next 12 months.

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As of: November 13, 2014

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