

# Catalent Pharma Solutions FY 2010 Q3 Conference Call

Matthew Walsh  
Chief Financial Officer  
Catalent Pharma Solutions

May 14, 2010

Reliable Solutions. Inspired Results.™



# Disclaimer Statement

## Forward Looking Statements

This presentation and release contains both historical and forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements generally can be identified by the use of statements that include phrases such as “believe,” “expect,” “anticipate”, “intend”, “estimate”, “plan”, “project”, “foresee”, “likely”, “may”, “will”, “would” or other words or phrases with similar meanings. Similarly, statements that describe our objectives, plans or goals are, or may be, forward-looking statements. These statements are based on current expectations of future events. If underlying assumptions prove inaccurate or unknown risks or uncertainties materialize, actual results could vary materially from Catalent Pharma Solutions’ expectations and projections. Some of the factors that could cause actual results to differ include, but are not limited to, the following: general industry conditions and competition; product or other liability risk inherent in the design, development, manufacture and marketing of our offerings; inability to enhance our existing or introduce new technology or services in a timely manner; economic conditions, such as interest rate and currency exchange rate fluctuations; technological advances and patents attained by competitors; and our substantial debt and debt service requirements that restrict our operating and financial flexibility and impose significant interest and financial costs. For a more detailed discussion of these and other factors, see the information under the caption “Risk Factors” in our most recent Annual Report on Form 10-K and our other reports filed with the Securities and Exchange Commission on September 28, 2009. All forward-looking statements speak only as of the date of this release or as of the date they are made, and Catalent Pharma Solutions does not undertake to update any forward- looking statements as a result of new information or future events or developments unless required by law.

# Non-GAAP Financial Matters

In addition to disclosing financial results that are determined in accordance with US GAAP, Catalent discloses EBITDA and Adjusted EBITDA, which are non-GAAP measures. You should not consider EBITDA or Adjusted EBITDA as an alternative to operating or net earnings, determined in accordance with US GAAP, as an indicator of Catalent's operating performance, or as an alternative to cash flows from operating activities, determined in accordance with US GAAP, as an indicator of cash flows, or as a measure of liquidity. EBITDA is calculated by the sum of earnings before interest, taxes, depreciation and amortization.

The Company's credit facilities and the indentures governing the outstanding notes have certain covenants that use ratios utilizing a measure referred to as Adjusted EBITDA. The supplementary adjustments to EBITDA to derive Adjusted EBITDA may not be in accordance with current SEC practices or the rules and regulations adopted by the SEC that apply to periodic reports filed under the Securities Exchange Act of 1934. Accordingly, the SEC may require that Adjusted EBITDA be presented differently in filings that may be made with the SEC than as presented in this presentation and release, or not be presented at all. The most directly comparable US GAAP measure to EBITDA and Adjusted EBITDA is income/(loss) from continuing operations. Included in this release is a reconciliation of income/(loss) from continuing operations to EBITDA and to Adjusted EBITDA.

# Agenda

---

- **Third Quarter Highlights**
- **Business Update**
- **Q3 Financial Performance**
- **YTD Financial Performance**
- **Adjusted EBITDA**
- **Cash Flow**
- **Q&A**

# Third Quarter Highlights

- **Revenues level with prior year; profitability significantly ahead of Q3-FY'09:**
  - **"Core" operating profit up 13%**
  - **Adjusted EBITDA of \$88.4 million, up 15%**
- **Lower operating costs a driver...down 8.1% vs. prior year**
- **All segments reported EBITDA ahead of Q3-FY'09; led by Oral Technologies**
- **Improved operating performance and lower working capital drove significantly higher cash flow vs. prior year**
- **Kurt Nielsen, Ph.D. joined Catalent as Chief Technology Officer and SVP Innovation and Growth**

# Business Update – Oral Technologies

- Continued strong demand for Rx softgel products and development services
- Sales of nutritional and other consumer health softgel products aligned with prior year, with outlook beginning to trend slightly higher
- Zydis<sup>®</sup> capacity utilization significantly improved, Q3 revenue up 30% over prior year; all new production lines validated and in use
- Expansion of softgel capacity in Argentina remains on-schedule and on-budget
- Swindon softgel site closure announced in Q2; execution progressing satisfactorily in early stages

# Business Update – Sterile Technologies

## **Sterile Injectables:**

- **Revenue up 20% in Q3 vs prior year; strong demand for existing non-flu products, pipeline strengthening**
- **Profitability up significantly due to favorable mix and manufacturing cost performance**

## **Blow-Fill-Seal:**

- **Third quarter performance down significantly versus prior year due to ongoing product mix shift to lower margin generic products and high manufacturing variances**
- **Near-term focus on quality and operational metrics improvement**
- **Long-term market fundamentals remain attractive; new product pipeline robust... long development cycle**

# Business Update – Packaging Services

## Commercial Packaging:

- Revenue down 12% versus prior year on lower demand, largely in North America
- Disciplined focus on direct and indirect costs and timing of H1N1 revenue drove profitability increase of 40+%
- New potents handling capacity at Schorndorf for oral dose form production, over-encapsulation and packaging
- Corby site awarded highest on-time in full delivery performance by major Large Pharma customer

## Printed Components:

- Lower demand in key markets versus prior year
- Aligning capacity and operating costs to existing volumes
- Ramping up new 10-color digital press capacity in Europe

# Business Update – Development & Clinical Services

- **Clinical Services revenue up 18% versus prior year on strong demand in both the US and Europe; Analytical Science revenues level with prior year**
- **Quoting and new business pipeline remains healthy; strong signings being delivered**
- **Biotech quote volume relatively soft vs Large Pharma**
- **Profitability up 90% versus prior year on higher demand and lower operating costs**
- **New investment in fully-scaleable, advanced fine powder filling equipment to support clinical/commercial DPI manufacturing from Phase II/III onward...first contract already signed, outlook good**

# FY2010 Q3 by Segment

| (\$ millions)                              | Three Months  | Three Months  | Increase/(Decrease) |      | Excluding FX        |      |  |
|--|---------------|---------------|---------------------|------|---------------------|------|--|
|  | Ended         | Ended         |                     |      | Increase/(Decrease) |      |  |
|  | Mar. 31, 2010 | Mar. 31, 2009 | \$                  | %    | \$                  | %    |  |
| <b>Oral Technologies</b>                   |               |               |                     |      |                     |      |  |
| Net Revenue                                | 266.1         | 244.4         | 21.7                | 9%   | 6.8                 | 3%   |  |
| Segment EBITDA                             | 73.4          | 58.8          | 14.6                | 25%  | 11.9                | 20%  |  |
| <b>Sterile Technologies</b>                |               |               |                     |      |                     |      |  |
| Net Revenue                                | 51.6          | 58.0          | (6.4)               | -11% | (8.2)               | -14% |  |
| Segment EBITDA                             | 7.3           | 6.0           | 1.3                 | 22%  | 0.9                 | 15%  |  |
| <b>Packaging Services</b>                  |               |               |                     |      |                     |      |  |
| Net Revenue                                | 86.7          | 93.5          | (6.8)               | -7%  | (9.1)               | -10% |  |
| Segment EBITDA                             | 7.9           | 4.9           | 3.0                 | 61%  | 2.7                 | 54%  |  |
| <b>Development &amp; Clinical Services</b> |               |               |                     |      |                     |      |  |
| Net Revenue                                | 39.7          | 35.6          | 4.1                 | 12%  | 3.0                 | 9%   |  |
| Segment EBITDA                             | 6.9           | 3.4           | 3.5                 | *    | 3.1                 | 91%  |  |
| Revenue Elimination                        | (13.0)        | (13.5)        | 0.5                 | -4%  | 0.7                 | -5%  |  |
| Other EBITDA                               | (23.9)        | (193.1)       | 169.2               | *    | 168.9               | *    |  |
| <b>Combined Total</b>                      |               |               |                     |      |                     |      |  |
| Net Revenue                                | 431.1         | 418.0         | 13.1                | 3%   | (6.8)               | -2%  |  |
| EBITDA                                     | 71.6          | (120.0)       | 191.6               | *    | 187.5               | *    |  |

# FY2010 YTD by Segment

| (\$ millions)                              | Nine Months   | Nine Months   | Increase/(Decrease) |     | Excluding FX        |     |  |
|--|---------------|---------------|---------------------|-----|---------------------|-----|--|
|  | Ended         | Ended         |                     |     | Increase/(Decrease) |     |  |
|  | Mar. 31, 2010 | Mar. 31, 2009 | \$                  | %   | \$                  | %   |  |
| <b>Oral Technologies</b>                   |               |               |                     |     |                     |     |  |
| Net Revenue                                | 749.9         | 703.2         | 46.7                | 7%  | 29.8                | 5%  |  |
| Segment EBITDA                             | 180.1         | 153.4         | 26.7                | 17% | 24.4                | 16% |  |
| <b>Sterile Technologies</b>                |               |               |                     |     |                     |     |  |
| Net Revenue                                | 173.8         | 167.5         | 6.3                 | 4%  | 2.3                 | 2%  |  |
| Segment EBITDA                             | 25.8          | 21.5          | 4.3                 | 20% | 3.5                 | 16% |  |
| <b>Packaging Services</b>                  |               |               |                     |     |                     |     |  |
| Net Revenue                                | 270.6         | 282.7         | (12.1)              | -4% | (14.4)              | -5% |  |
| Segment EBITDA                             | 24.3          | 13.4          | 10.9                | 81% | 10.6                | 79% |  |
| <b>Development &amp; Clinical Services</b> |               |               |                     |     |                     |     |  |
| Net Revenue                                | 122.1         | 114.3         | 7.8                 | 7%  | 7.8                 | 7%  |  |
| Segment EBITDA                             | 20.4          | 9.2           | 11.2                | *   | 11.0                | *   |  |
| Revenue Elimination                        | (36.2)        | (38.1)        | 1.9                 | -5% | 2.2                 | -6% |  |
| Other EBITDA                               | (309.7)       | (218.1)       | (91.6)              | *   | (97.4)              | *   |  |
| <b>Combined Total</b>                      |               |               |                     |     |                     |     |  |
| Net Revenue                                | 1,280.2       | 1,229.6       | 50.6                | 4%  | 27.8                | 2%  |  |
| EBITDA                                     | (59.1)        | (20.6)        | (38.5)              | *   | (48.1)              | *   |  |

# Operating Earnings to EBITDA

| (\$ Millions)                  | Quarters Ended  |                 |                 |                 | LTM             | Quarter Ended   | LTM             |
|--------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|                                | Mar 31,<br>2009 | Jun 30,<br>2009 | Sep 30,<br>2009 | Dec 31,<br>2009 | Dec 31,<br>2009 | Mar 31,<br>2010 | Mar 31,<br>2010 |
| Income / (Loss)                | (193.9)         | (4.6)           | (270.7)         | (16.4)          | (485.6)         | (4.0)           | (295.7)         |
| Interest Expense, net          | 42.0            | 41.4            | 40.6            | 44.1            | 168.1           | 37.3            | 163.4           |
| Income tax expense / (benefit) | 3.8             | 13.4            | (10.6)          | 18.4            | 25.0            | 7.3             | 28.5            |
| Depreciation and Amortization  | 28.1            | 33.3            | 32.4            | 31.5            | 125.3           | 31.0            | 128.2           |
| EBITDA                         | (120.0)         | 83.5            | (208.3)         | 77.6            | (167.2)         | 71.6            | 24.4            |

# LTM EBITDA Adjustments

| (\$ millions)  | Quarters Ended  |                 |                 |                 | LTM             | Quarter Ended   | LTM             |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|  | Mar 31,<br>2008 | Jun 30,<br>2009 | Sep 30,<br>2009 | Dec 31,<br>2009 | Dec 31,<br>2009 | Mar 31,<br>2010 | Mar 31,<br>2010 |
| EBITDA   | (120.0)         | 83.5            | (208.3)         | 77.6            | (167.2)         | 71.6            | 24.4            |
| FAS 123R Equity Expense  | 0.3             | (2.9)           | (1.1)           | 1.3             | (2.4)           | 1.0             | (1.7)           |
| Impairment charges and (gain)/loss on sale of assets                                 | 192.6           | 2.7             | 244.0           | 0.2             | 439.5           | (0.7)           | 246.2           |
| Restructuring and other special items  | 7.7             | 8.0             | 2.5             | 8.4             | 26.6            | 13.1            | 32.0            |
| Other non-recurring/one time items (Sterile Facility Start Up, non cash adjustments) | 2.0             | 0.6             | 0.1             | (0.3)           | 2.4             | (0.6)           | (0.2)           |
| Unrealized fx loss (included in other,net)   | (11.6)          | (11.8)          | 31.1            | (13.1)          | (5.4)           | 0.1             | 6.3             |
| Other (Minority interest expense, Sponsor's fee, severance, franchise taxes)         | 6.2             | (2.2)           | 2.0             | 3.5             | 9.5             | 3.9             | 7.2             |
| Subtotal   | 77.2            | 77.9            | 70.3            | 77.6            | 303.0           | 88.4            | 314.2           |
| Estimated cost savings   |                 |                 |                 |                 | -               |                 | -               |
| Adjusted EBITDA  |                 |                 |                 |                 | 303.0           |                 | 314.2           |

# FY2010 YTD Cash Flow (nine months)

| (\$ millions)                                      | <u>Continuing</u> | <u>Discontinued</u> | <u>Total</u> |
|--|-------------------|---------------------|--------------|
| Net cash provided by/(used in) operations          | 178.8             | (8.5)               | 170.3        |
| Additions PP&E, net                                | (48.6)            | 10.5                | (38.1)       |
| Financing activities                               |                   |                     | (55.1)       |
| FX on net cash                                     |                   |                     | (4.2)        |
| Increase/(Decrease) in cash                        |                   |                     | <u>72.9</u>  |
| Cash at beginning of period                        |                   |                     | 63.9         |
| Cash at end of period                              |                   |                     | 136.8        |
| <b>Items of note:</b>                              |                   |                     |              |
| Net cash cycle working capital decrease/(increase) |                   |                     | 0.9          |
| Cash interest                                      |                   |                     | 67.7         |
| Cash taxes   |                   |                     | 13.3         |
| Revolver at 3/31/10 (\$350 million facility)       |                   |                     | -            |
| Net Debt at 3/31/10                                |                   |                     | 2,156.8      |