



Catalent Pharma Solutions FY 2011 Q2 Conference Call

02.09.11



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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. 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

Management measures operating performance based on consolidated earnings from continuing operations before interest expense, expense/ (benefit) for income taxes and depreciation and amortization and is adjusted for the income or loss attributable to non-controlling interest (“EBITDA from continuing operations”). EBITDA from continuing operations is not defined under US U.S. GAAP and is not a measure of operating income, operating performance or liquidity presented in accordance with U.S. GAAP and is subject to important limitations. Management believes these non-GAAP financial measures provide useful supplemental information for its investors’ evaluation of the Company’s business performance and are useful for period-over-period comparisons of the performance of the Company’s business.

We believe that the presentation of EBITDA from continuing operations enhances an investor’s understanding of our financial performance. We believe this measure is a useful financial metric to assess our operating performance from period to period by excluding certain items that we believe are not representative of our core business and use this measure for business planning purposes. In addition, given the significant investments that we have made in the past in property, plant and equipment, depreciation and amortization expenses represent a meaningful portion of our cost structure. We believe that EBITDA from continuing operations will provide investors with a useful tool for assessing the comparability between periods of our ability to generate cash from operations sufficient to pay taxes, to service debt and to undertake capital expenditures because it eliminates depreciation and amortization expense. We present EBITDA from continuing operations in order to provide supplemental information that we consider relevant for the readers of the financial statements, and such information is not meant to replace or supersede U.S. GAAP measures. Our definition of EBITDA from continuing operations may not be the same as similarly titled measures used by other companies.

In addition, the Company evaluates the performance of its segments based on segment earnings before minority interest, other (income) expense, impairments, restructuring costs, interest expense, income tax (benefit)/expense, and depreciation and amortization (“Segment EBITDA”).

Under the indentures governing the notes, the Company’s ability to engage in certain activities such as incurring certain additional indebtedness, making certain investments and paying certain dividends is tied to ratios based on Adjusted EBITDA (which is defined as “EBITDA” in the indentures). Adjusted EBITDA is based on the definitions in the Company’s indentures, is not defined under U.S. GAAP, and is subject to important limitations. We have included the calculations of Adjusted EBITDA for the periods presented. Adjusted EBITDA is the covenant compliance measure used in certain covenants under the indentures governing the notes, particularly those governing debt incurrence and restricted payments. Because not all companies use identical calculations, the Company’s presentation of Adjusted EBITDA may not be comparable to other similarly titled measures of other companies.

Agenda



- Second Quarter Highlights
- Business Update
- FY'11 Q2 Financial Performance
- FY'11 December Six-Month YTD Financial Performance
- Adjusted EBITDA
- Cash Flow
- Q&A



Second Quarter Highlights

- Q2 year-over-year growth was impacted by one-time H1N1 volumes from the prior fiscal year; excluding FX and H1N1:
 - Revenue up 4% due to Softgel and DCS
 - Gross margin up 12%; Op Ex focus, favorable product mix
 - Adjusted EBITDA of \$84.8 million, up 9%
- Double-digit EBITDA growth within Oral Technologies and Development & Clinical Services; continued struggles within Packaging Services
- Continued progress to optimize business structure
 - Significant additions to sales and marketing personnel
 - New Growth & Innovation staffing in place



Business Update – Oral Technologies

- Continued strong demand for Rx softgel products and development services
- Sales of nutritional and other consumer health softgel products up modestly vs. prior year; slight growth which may persist
- Zydis[®] sales down 20% vs. prior year due to declines in customer safety stock and certain customer product demand/forecasts
- Expansion of softgel capacity in Argentina complete, validation and testing underway; full commercial production expected to begin FY'11 third quarter
- Announced the expansion of our formulation development capabilities for oral controlled release dosage forms at our Winchester, KY facility



Business Update – Sterile Technologies

Sterile Injectables:

- Excluding H1N1, sales and EBITDA up vs prior year
- Strength in non-flu products; including new products
- Five new pipeline programs signed YTD, with two additional expected

Blow-Fill-Seal:

- Second quarter revenue performance declined 3% vs. prior year due to lower generics volumes and development activity, but EBITDA nearly doubled; favorable product mix and efficiency
- Continued focus on quality and operational metrics improvement
- Long-term market fundamentals remain attractive; new product pipeline robust, but long development cycle exists



Business Update – Packaging Services

Commercial Packaging:

- Excluding H1N1 sales down 14%; lower demand in N. America
- Exited Puerto Rico in January; Humacao business transfer agreement finalized and completed

Printed Components:

- Revenue flat with profitability declines due to product mix change to short-run, complex products
- Continues to be a challenging market; currently aligning capacity and footprint to expected volumes

Business Update – Development & Clinical Services



- Quoting and new business pipeline remains healthy across the segment; strong signings being delivered
- Clinical Services revenue up 3% vs. prior year with profitability up 12% due to favorable product mix
- Analytical / Biotech quote volume remains strong; revenue up 7% vs. prior year with profitability up 12%, driven by higher demand on flat operating costs

FY 2011 Q2 by Segment



(\$ millions)	Three Months	Three Months	Increase/(Decrease)		Excluding FX	
	Ended	Ended			Increase/(Decrease)	
	Dec. 31, 2010	Dec. 31, 2009	\$	%	\$	%
Oral Technologies						
Net Revenue	261.5	262.1	(0.6)	0%	6.6	3%
Segment EBITDA	66.6	62.6	4.0	6%	6.0	10%
Sterile Technologies						
Net Revenue	53.7	60.8	(7.1)	-12%	(4.6)	-8%
Segment EBITDA	8.3	8.0	0.3	4%	0.7	9%
Packaging Services						
Net Revenue	62.3	77.6	(15.3)	-20%	(14.3)	-18%
Segment EBITDA	0.6	7.2	(6.6)	-92%	(6.6)	-92%
Development & Clinical Services						
Net Revenue	42.2	41.9	0.3	1%	1.3	3%
Segment EBITDA	8.7	7.7	1.0	13%	1.3	17%
Revenue Elimination	(6.6)	(8.9)	2.3	*	2.2	*
Other EBITDA	(11.2)	(7.9)	(3.3)	*	(3.3)	*
Combined Total						
Net Revenue	413.1	433.5	(20.4)	-5%	(8.8)	-2%
EBITDA	73.0	77.6	(4.6)	-6%	(1.9)	-2%



FY 2011 YTD by Segment

(\$ millions)	Six Months	Six Months	Increase/(Decrease)		Excluding FX	
	Ended	Ended			Increase/(Decrease)	
	<u>Dec. 31, 2010</u>	<u>Dec. 31, 2009</u>	<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>
Oral Technologies						
Net Revenue	505.5	509.2	(3.7)	-1%	12.7	2%
Segment EBITDA	118.8	112.3	6.5	6%	10.5	9%
Sterile Technologies						
Net Revenue	107.4	122.2	(14.8)	-12%	(8.6)	-7%
Segment EBITDA	13.5	18.5	(5.0)	-27%	(3.7)	-20%
Packaging Services						
Net Revenue	130.6	150.0	(19.4)	-13%	(17.0)	-11%
Segment EBITDA	3.7	10.8	(7.1)	-66%	(7.0)	-65%
Development & Clinical Services						
Net Revenue	85.6	82.4	3.2	4%	5.8	7%
Segment EBITDA	17.6	13.5	4.1	30%	5.1	38%
Revenue Elimination	(13.9)	(14.7)	0.8	*	0.8	*
Other EBITDA	(36.5)	(285.8)	249.3	*	247.4	*
Combined Total						
Net Revenue	815.2	849.1	(33.9)	-4%	(6.3)	-1%
EBITDA	117.1	(130.7)	247.8	*	252.3	*

Operating Earnings to EBITDA



(\$ Millions)	Quarters Ended				LTM	Quarter Ended	LTM
	Dec 31, 2009	Mar 31, 2010	Jun 30, 2010	Sep 30, 2010	Sep 30, 2010	Dec 31, 2010	Dec 31, 2010
Income/(Loss)	(16.4)	(4.0)	7.8	(27.3)	(39.9)	(8.2)	(31.7)
Interest Expense, net	44.1	37.3	38.8	40.6	160.8	41.2	157.9
Income tax expense / (benefit)	18.4	7.3	5.0	1.4	32.1	9.3	23.0
Depreciation and Amortization	31.5	31.0	31.5	29.4	123.4	30.7	122.6
EBITDA	77.6	71.6	83.1	44.1	276.4	73.0	271.8

LTM EBITDA Adjustments



(\$ millions)	Quarters Ended				LTM	Quarter Ended	LTM
	Dec 31, 2009	Mar 31, 2010	Jun 30, 2010	Sep 30, 2010	Sep 30, 2010	Dec 31, 2010	Dec 31, 2010
EBITDA	77.6	71.6	83.1	44.1	276.4	73.0	271.8
Non-cash stock compensation expense	1.3	1.0	1.4	1.4	5.1	0.9	4.7
Impairment charges and (gain)/loss on sale of assets	0.2	(0.7)	5.1	0.6	5.2	(0.5)	4.5
Restructuring and other special items	8.4	13.1	14.6	8.2	44.3	7.1	43.0
Unrealized fx loss (included in other, net)	(13.1)	0.1	(21.9)	10.6	(24.3)	1.5	(9.7)
Other (Sponsor's fee, severance)	3.2	3.3	4.2	2.9	13.6	2.8	13.2
Subtotal	77.6	88.4	86.5	67.8	320.3	84.8	327.5
Estimated cost savings					-		-
Adjusted EBITDA					320.3		327.5



LTM EBITDA Adjustments Trailing by Quarters

(\$ millions)	Quarters Ended							
	Mar 31, 2009	Jun 30, 2009	Sep 30, 2009	Dec 31, 2009	Mar 31, 2010	Jun 30, 2010	Sep 30, 2010	Dec 31, 2010
EBITDA	(120.0)	83.5	(208.3)	77.6	71.6	83.1	44.1	73.0
Non-cash stock compensation expense	0.3	(2.9)	(1.1)	1.3	1.0	1.4	1.4	0.9
Impairment charges and (gain)/loss on sale of assets	192.6	2.7	244.0	0.2	(0.7)	5.1	0.6	(0.5)
Restructuring and other special items	7.7	8.0	2.5	8.4	13.1	14.7	8.2	7.1
Other non-recurring/one time items (Sterile Facility Start Up, non cash adjustments)	2.0	0.6	0.1	(0.3)	(0.6)	-	-	-
Unrealized fx (gain)/loss	(11.6)	(11.8)	31.1	(13.1)	0.1	(21.9)	10.6	1.5
Other (Sponsor's fee, severance)	6.2	(2.2)	2.0	3.5	3.9	4.1	2.9	2.8
Adjusted EBITDA, quarter	77.2	77.9	70.3	77.6	88.4	86.5	67.8	84.8
Estimated cost savings								
Adjusted EBITDA - Trailing 12 months	309.8	277.5	293.8	303.0	314.2	322.8	320.3	327.5

FY 2011 Q2 Cash Flow



(\$ millions)	<u>Continuing</u>	<u>Discontinued</u>	<u>Total</u>
Net cash provided by/(used in) operations	16.4	-	16.4
Additions PP&E, net	(29.6)	-	(29.6)
Financing activities			(16.5)
FX on net cash			6.4
Increase/(Decrease) in cash			<u>(23.3)</u>
Cash at beginning of period			164.0
Cash at end of period			140.7
Items of note:			
Net cash cycle working capital decrease/(increase)			1.4
Cash interest			79.0
Cash taxes			17.2
Revolver at 12/31/10 (\$350 million facility)			-
Net Debt at 12/31/10			2,153.0



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