

West Pharmaceutical Services Inc. - Former Director, Scientific Insights Lab at West Pharmaceutical Services

Interview conducted on October 12, 2022

Topics

Biologics Industry, Drug Packaging, Partnerships, Competition, Quality and Reliability, Contract Manufacturing

Summary

The Tegus Client speaks with a former director of the Scientific Insights Lab at West Pharmaceutical Services about the injectable drug supply chain, customer relationships, innovation, and West's success in capitalizing on the growth in biologics. They also discuss West's partnerships with Daikyo and Corning, their contract manufacturing business, and the potential for pharmaceutical companies to lower costs by sourcing elastomer pieces from Chinese suppliers. The expert explains that confidence is the primary reason customers choose a West seal or stopper, and West's strong business as the biggest manufacturer and supply chain security are also driving factors.

Expert Details

Former Director, Scientific Insights Lab at West Pharmaceutical Services, leaving in August of 2021.

Former Director, Scientific Insights Lab at West Pharmaceutical Services, leaving in August of 2021. The expert spent 15.5 years at WST, and was directing the Scientific Insights group that dealt with customer interaction. The expert was responsible for understanding all customer issues for customers such as Amgen and Novartis, including drug interactions, packaging, drug delivery, and compatibility issues. The expert primarily conducts research with the aim of resolving these types of issues. The expert also oversees technological development with the aim of understanding how it can bring value to the customer. The expert was responsible for generating ideas and performing research in the primary stage of product development and for associated materials.

Q: Former: Do you have a good understanding of the competitive dynamics within the elastomer and glass components niches of the injectable drugs packaging industry?

A: Yes. I know all the major competitors for elastomer closure and glass components in the parenteral drug packaging industry.

I was in Injectable Drugs Packaging industry for 20years. In West, I held various positions in R&D, commercial and Corporates Strategy and development organizations, such as Direct of Scientific Insights (Commercial organization), Director of global Pharmaceutical Packaging (R&D), Technical Director. Prior to West, I was a principal material scientist in BD.

I left West last August and my current role is CTO in Green Theme Technologies Inc, a company which is developing water free eco friendly textile finishing technologies.

Q: Former: Can you speak to West's opportunities within the drug delivery space? How does becoming an integrated device supplier change relationship with customers? Does it strengthen the moat?

A: Yes, I can speak to all of this.

Q: Former: Have you worked closely with West's senior leadership or have insights to share about the management team and the culture at West?

A: Yes, My supervisor is VP level and I have insights about the changes of the West leadership and corporates

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culture.

Tegus Client

Hi, thanks for taking this call today. So I believe Tegus must have given you the background information. So we're currently researching West Pharmaceuticals. And we were hoping that you could help us understand some elements of the business and the injectable drug supply chain.

So I have a couple of questions lined up. And maybe we could start just with the high-level picture of the injectable drug component supply chain. So I'm really trying to understand how the manufacturing process of an injectable drug works, i.e., at what point does a pharma company starts thinking about packaging? And how do they go about finding the right people to supply each individual components for that injectable drug?

Former Director, Scientific Insights Lab at West Pharmaceutical Services

Okay. So yes, so when the injecting drug definitely they flow like IND, right, for the pharmaceutical company. So traditionally, I would say they are not considering the package into Phase III on the drug development process. So in a traditional way that was small molecular, they always pick the packaging material.

The packages have a multiple supplier, right, for each of them, even vial, like glass vial. So there is normally a difference, okay? So there's three components for a vial, for example, there's a glass vial. So you provide us from glass manufacturers like Aktie, SCHOTT, Gerresheimer and then also like elastomer components normally from West or Datwyler or Aptar. Those are the largest ones.

And then also the seal, on the top, the seal could be from either West or Aptar or Datwyler. So there are three different components the manufacturer can purchase it from different vendors and then to evaluate a Phase III of the drug product development stage.

And then there's a drug life-cycle management. I don't know if you heard about that. So after the first development because to be simple and then to be fast to go on to the market, the drug company is always starting the drug with a vial, okay?

So the vial could be like a multi-dose and then it's simple, right? It's very quick to allow them to get the drug on the market. And then later on, they're going to think the previous syringe, for example, they have a single dose and then they have to consider home care for a lot of chronic disease.

So those are the things that you needed to think like prefilled syringe and then also inject and then they go on. So then you continue to evaluate the packaging go on with that. So those are the normal process of the drug and the packaging relationship.

Tegus Client

Okay. And so if I was to say in the case of a large pharma company, would you say that they already have a pretty good idea of what suppliers are most important for them. And it seems to be the case that in the case it was small biotech, where they don't have the expertise in terms of packaging and what packaging is right for their molecule, someone like West can add more value in that relationship.

And if I look at West's portfolio, it seems like in addition to offering just the steel and the stoppers that they've gradually started to try and offer a more complete solution by combining the vial with the stopper and the cap for companies like biologicals that don't have their expertise in house. Is that right?

Former Director, Scientific Insights Lab at West Pharmaceutical Services

Yes. So West started to develop that product with the partnership with like a glass vial company, like SCHOTT, for example, and then they have a small quantity package for initial evaluation of the small bio company. Yes, you are right. So that's the type of service they create value and by not bulk provider, they can have from laboratory all the way to production.

Tegus Client

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So in that case, let's say, if West was working with a small biological company who is developing a molecule, West has the ability to be the main partner in terms of thinking about packaging. So that biological company could primarily engage with West, and West can provide them with the glass vial from the SCHOTT or enough supplier. It can also provide them with their own stoppers and seals and also all the regulatory expertise in terms of getting that packaging approved. Is that right?

Former Director, Scientific Insights Lab at West Pharmaceutical Services

Yes, that's right.

Tegus Client

Okay. So I mean, could you help us understand how these customer relationships work, i.e., and how they deferred from a small biotech to a big pharma company? i.e., how they fight, how they come to West, how those negotiations work and whether they would, let's say, in the case of a big pharma company, is it standard in the case of a stopper and steel, would they have more than one supplier listed on the drug master file or would it primarily be West?

Former Director, Scientific Insights Lab at West Pharmaceutical Services

Okay. So there's multiple people. So for small biotechs and normally that West, like right now, they are developing like digital, right, portal. So because they cannot reach out standard salespeople to send out to each one of them to talk door-to-door. So they're using website, the digital developer on, so the pharmaceutical company can, the small pharma, can approach them from the website, and then they normally reach out to a group called technical service, customer service, TCS Group.

So those group is going to connect them with the right components help them to selection. So to perform selection. So that's how you gather from unknown customer. And then they can send a representative there and then our sales rep and they started the process.

And then for bigger pharma, normally, they have regional rep for each of them like Eli Lilly, Amgen, all those, they have dedicated sales manager or director that is responsible for the bigger pharma, so they have very solid relationship with that.

And to your other question, like if West is only supplier or they have multiple, I would say, it's varying with companies. Some companies like GSK, and I think they have multiple because some companies are cost driven and some company is like they are more like try to look for like consolidate a solution company-wise to eliminate a problem later than they want to focus on certain supplier.

So like Eli Lilly, I would say, there are more consolidated using more West than others. But their supply chain definitely is encouraging to a varied multiple vendor. The reason is the cost, like normally West stopper could be more expensive than others.

Tegus Client

Okay. I mean, so let's say, I'm GSK, and I'm developing an injectable drug and I've decided to use West and that component gets written into the drug master file. How sticky is that relationship for the live drug?

I.e., if someone was to come along and create a new stopper and steel company, how easy would it be for them, if they could, say, copy West's processes and showed a regulator that their components have been produced in exactly the same way, how easy would it be for them to take market share essentially?

Former Director, Scientific Insights Lab at West Pharmaceutical Services

Okay. So number one, since rubber is like a kitchen, okay? So even you make it the same like lasagna or whatever the dish is, it's not going to be exactly the same, right? So the drug master file anomaly is not like you can publish and can see it. So it's a black box, okay?

So nobody can create exactly the same, okay? Even exactly the same, you have to show the FDA exactly the same. You can't show, right? And then the good business, why in medical device business is good, like a golden egg, is because it takes a long time to qualify, okay? The drug process qualification for West to

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launch a new product, it probably takes like 20 years to get the peak, okay?

So because it takes the drug for probably at least five to 10 years to qualify it. But long after you get into it, you literally will never take it off again because it cost of the drug company millions and millions of dollars just to requalify it. So all those qualification of new supplier is on the new drug, potentially. But not going to take off replaced with the older one. It's not consumer product.

So that's why in West, we have 200, I mean, I no longer work for West anymore. A year ago, I quit West job. But West has over 200 formulation are still actively used. So some of the old formulation is very old and then they have a problem, too. That's the troubleshooting all the time, why you still have a problem, why don't you just use a new one. That's the problem is because it takes a lot of investment for the drug company to requalify.

Tegus Client

So when you say that a client might have more than one supplier, does that mean that when they're qualifying or doing the stability test on the new injectable drug that they're having to do this for more than one supplier. So they've taken, say, a West stopper and a glass vial stopper and they're doing the same test on the two different branded stoppers so that they can both be approved.

Former Director, Scientific Insights Lab at West Pharmaceutical Services

Yes. But I don't believe that's the case. So by the time they pick the stability test, the stability test costs a lot of money. So that's all the selection of they probably do other testing like simulation testing in a small-scale lab before stability.

And certainly, you needed to do some small-scale stability to see, okay, if the eligible extractable, eligible and compatibility long term. But those are all in the laboratory work, screening, testing suppose they finished. But I don't believe they are going to be using two different components or multiple components to put in the stability chamber. By that time, the stability is already late. It's already selected.

Tegus Client

Okay. So I mean, in terms of innovation and R&D, would you say, how does the relationship with who's driving innovation and R&D, is it West that goes out and says, I think I can improve this product and clients will like it or is it a two-way street in terms of a constant communication with their key customers to tell them what the core problems are and West works on that to find a better solution?

Former Director, Scientific Insights Lab at West Pharmaceutical Services

It is always a two-way street because, firstly, West needed to know what product to improve. When I was in West, I was in the scientific insights lab since 2016 to 2022, and that group is trying to have application research and drive a particular partnership with a drug company like Lilly and to understand the new needs because about 20 years ago, it's absolutely like a small molecule, right?

So it's not sophisticated at all. The packaging is considered like a low tap compared with pharma. But right now, gradually, you have so many biological drugs on the market. I think it's like about over maybe almost 3,000 of the protein drugs and then now the gene therapy with the COVID vaccine coming up and also like cell therapy, all those coming up, they have new requirements because the formulation of the drugs are getting more and more sophisticated, and then there's more chemical intuit in addition to the drug itself.

And then they find that all those accepting are going to impact. So we did find all the dose. So we jointly published, jointly have some research stage to understand the interaction. And then before I left the West, I had been campaigning the drug company to consider the packaging as excipient to study in the earlier stage, not just in Phase III.

Tegus Client

Makes sense. So would you say, I mean, from what I've researched with West, it seems like the boom in biological drugs and the fact that they are far more complex and sensitive, they coincided with the sort of exponential growth in West high value-added products. Would you say that the two were linked, i.e., that

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West has been able to premiumize its product portfolio and add more value to its customers because these customers have far more complex requirements and the types of drugs that are coming out and more complex?

Former Director, Scientific Insights Lab at West Pharmaceutical Services

Yes. So they're expanding the portfolio on the high-value drug to try to meet the biologic market expansion because that's the major growth at 9% about every year versus a small molecule on a saturation, it's like 1% of growth, not that much. So most of the growth is in the biologics.

Tegus Client

Okay. And I mean, I've got a couple of questions on this topic. So firstly, when you look at this growth in biologics, how sustainable do you think it is going forward? And how much of this growth has been propelled by COVID? And how much of it do you think is far more longer term and durable, as you mentioned, cell gene therapies and all these types of new innovations.

Former Director, Scientific Insights Lab at West Pharmaceutical Services

Yes, unfortunately, so definitely, the past two years, the booming growth of the West, definitely, a lot of is caused by the COVID vaccines. So that's unfortunate, but it's good for West to be able to have a big spike. But I would think that after the COVID, it cooled down if the vaccine is not much high in demand and then also it's going to be go down depend on demand. So I don't believe that they're going to keep going up on the top of the vaccine.

And then meanwhile, they developed new biologics in a static pace. It's not like so spiked, the growth. But with the COVID, to be honest, before we're always struggling with gene therapy and what is the packaging should be used, but with the expedited approval by the FDA with all those through COVID and now we're using that vaccine for like two years. So now people can get experience so they can have more gene therapy to approve, hopefully. So that helped to grow the business as well.

Tegus Client

And so I think I read in some earnings transcript that West has a really high market share in terms of biologics. I think from the majority of biologic injectable drugs that are getting approved, have a West component in them. Is there any reason that it allowed West? What you think the reasons are that West has been so successful in capitalizing on this versus a competitor like Datwyler or Aptar?

Former Director, Scientific Insights Lab at West Pharmaceutical Services

So I want to say the first thing is West has been predominant, okay? So it has been the leader. It's 100 years old. So their business is focused on parenteral drugs, right, packaging and delivery. So versus Aptar and Datwyler, they are only one part of their business is in parenteral drugs.

So Datwyler is like really automotive, and then only acquired the capabilities. So they are not very focused on parenteral versus West says it is focused on. Definitely, they have a stronger business unit on that. So they have been the leader. That's one.

Number two is regarding the product from technical side, and they are the first one to develop a very clean product with tech, all those, and then NovaPure. So they have quickly adjusted their products to meet the customer needs on that. And then they got very reactive, I mean, responsive. I mean it's not just like the customers try to pushing them to do. They're very proactive as well at least by the time I left.

It's very proactive. Not only do the customers tell them or complain to them and responsive, that's the thing, but they are very proactive to meet the customer needs, to work with the customer. And then so that's another from a technical standpoint. As a provider, it's a much better service. I think when I worked with Lilly, they said like, "We just want to work with West because we work with them at the IND level and not the other companies they are reactive."

Tegus Client

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Okay. And I mean you worked at West for quite a long time. And throughout that period, they obviously changed CEO with Eric Green coming in. And my basic understanding is that he made the company far more market focused, focusing on the sort of three main customer groups, generics, pharma companies and biologics.

But I think you also, from whatever I understood, tried to sort of reinvigorate the R&D function or make it a bit more targeted. Could you maybe talk about your experience at the company and if you saw any cultural changes, how the business grew under Eric's leadership, if you saw any material changes?

Former Director, Scientific Insights Lab at West Pharmaceutical Services

Yes. So after 2016, Eric Green took over the company. Definitely, they had a lot of change. The good part is that he is like driving for investor attention, and so the stock market went up very quickly. And then I do have a concern. That's why the reason I left the company is, to be honest, they like to have a lot of unjustified hiring people. For example, HR is like 10x as big and then IT.

And those are really do not create revenue, right, supporting department, but it's growing really, really quick. And then for R&D-wise, and one concern is all the people with experience have left West. And then now you have three people have to do one person's job literally because you don't have experience on that. And then they don't pay attention, and actually they make you feel like they are driving you out.

That's things concern and that's the reason I left. I wasn't laid off or anything, but I left voluntarily. I don't feel they are paying attention on the technical side. And then also on the R&D, that's make me more concern like the nominated Silji, as the Chief Technology Office, which this guy is an IT guy, right? So IT is different from R&D because West is not the IT company, right? So R&D has developed a medical device company, right?

So you have to understand FDA requirement, you have to understand the process and understand how to develop a medical device. And then you have a guy leading IT to lead the developer of the future of the product, which have nothing in the pipeline. I don't see anything in Eric Green's leadership. They don't have anything in the pipeline.

Tegus Client

So I mean West seems to have done a lot of partnerships. So with a Japanese company, which has the Crystal Zenith brand. And so would you say that a lot of the innovation has come from these companies rather than West itself?

Former Director, Scientific Insights Lab at West Pharmaceutical Services

Yes. Actually, Daikyo does contribute a lot on the West innovative part, like the CZ, yes, yes, as you said, the Crystal Zenith. And then also FluroTec type as well, yes. For the partnership with Daikyo definitely a successful one, but that's been a long time. I think it's probably 30 years, maybe.

Tegus Client

Do you have any insight as to how the two companies work together?

Former Director, Scientific Insights Lab at West Pharmaceutical Services

Yes. To be honest with you, it's not quite a partnership as you think. Daikyo is pretty close to West. They are very close, okay? So it's not like they're open, very open to West. But right now, I think West is their 49% of their shareholder. And so they do develop technology. But a lot of things is, they're focused too much of the internal thinking and by the lack of understanding the customer needs.

So a lot of time, actually, the product developed, that we are running into issues with the customer. So it has to be killed as well. So the culture is totally different between Daikyo. So it could be better, I would say, could be better.

Tegus Client

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Okay. And I mean, I don't know if you could shed any insight. It seems like West really wants to try and be a one-stop shop for clients by gradually transitioning into being an integrated device provider. I mean I think it's the West smart move where they've developed the IP and wants to do every single component, and more recently with this partnership with Corning, could you shed any insight into this? And what this actually means in practice?

Former Director, Scientific Insights Lab at West Pharmaceutical Services

Yes, it's a good thinking to be honest to you, and I wouldn't think that solely West, like before, I worked for Becton Dickinson, right? So like the Becton Dickinson, they provides the previous syringe all the stuff and then they are the same philosophy.

And they actually purchasing components from West and then they are the solution provider. So there's a competition among the industry and they want to have innovative and anyone have the big solution provider as well.

So you can see enough just from West. So then they literally have some people are joking as you have the marriage and the West user partner with the banking business and then break up and then SCHOTT. So the relationship is always now with Acronis. Acronis provide aluminum silicate, which is differentiated from a historical boron silicate and to have some advantage. However, it's a new product.

And then there's a lot of qualification needed to do by the pharmaceutical company. And it's better to collaborate with them, but I wouldn't say like a significantly change by the relationships because, number one, Acronis, it takes a long time for them to qualify or be on the market. Number two is it's just a repeating relationship with anybody else, to be honest with you.

Tegus Client

So I mean, it seems like everybody wants to try and be. I mean, very simplistically, you can tell me if I'm wrong, but it seems like if you would imagine, initially, the industry had two layers where you have like the pharma company and they then have lots of different suppliers, say, someone for glass, someone for the glass vial, someone for the stoppers and seals, someone for another part of the injectable drug.

And it seems like each company now wants to try and fill a second layer and aggregate sort of all these suppliers underneath them and be the main point of contact for a drug provider. Would you say that's a right interpretation?

Former Director, Scientific Insights Lab at West Pharmaceutical Services

That's the right interpretation, yes. But historically, like Becton Dickinson, the company like Becton, they were the second one. They buy from West. So West was not part of it. So then West started directly because relatively, the size-wise, you see West cannot compete with Becton Dickinson, right? And then also with SCHOTT, so they are much bigger. And then also they are the major components that have glass, right?

So the major components on the elastomer part is always the minor part because it's not minor-wise equally, but it is considered from dollar-wise, too. So BD is dominated the relationship with pharmaceutical company. And so we have to say, "Okay, no, why we needed to sell it to you and you make a double profit so we break up with you and then the pharmaceutical directly purchasing from us." So that's how it happened right now that BD formed relationship with Aptar.

Now Aptar is selling to BD and then BD is still in the middleman. So yes, you would say, right, who want to be the second layer directly contact with the drug company. But so far, West has been establishing in furthering itself into it pretty well in the past like 10 years or 20 years.

Tegus Client

I mean we were speaking to Stefan recently, and I got the impression that they may be in the future aspire to want to do something similar. Why do you think West will be successful with this? I mean it seems like Becton Dickinson is quite significant player in this industry with quite a lot of scale. So why do you think West management thinks they can be successful in making this transition?

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Former Director, Scientific Insights Lab at West Pharmaceutical Services

In terms of Becton Dickinson and West relationship, West already demonstrated success in the past 15 years because after breakup after we directly sell into the pharmaceutical company, it definitely make a bigger profit, right, because then otherwise Becton Dickinson won't make the profit from West.

So they compress our prices as low as you can. They kill you by the price as a supplier, and then they are the making more as the components. But it's already has demonstrated West's position. Otherwise, West would be where they are now without this movement. Yes, they want to demonstrate tool, but it's going to be challenging.

That's why West is trying to collaborate with Corning. Corning is a little baby right now. They are not so to adapt the Corning first, but those are relationships, you after five or 10 years, Corning grow up and Corning doesn't want to do it again. Those are all where the relationship is going.

Tegus Client

Okay. And I mean, my knowledge on Corning and this new relationship is still quite basic. But how different would you say it is from the agreements they already have with Daikyo and with SCHOTT glass where you can already buy a full solution from West, i.e., the vial comes from Crystal Zenith supplied by SCHOTT and then it's got the West stopper and seal on it. So how different is the Corning partnership to the existing offerings that West already has?

Former Director, Scientific Insights Lab at West Pharmaceutical Services

I think the Daikyo and West, West owns Daikyo right now, 45% of the share. So if you buy Daikyo, West gets profit as well. But with the Corning one, I think it's like exclusively, you buy a vial of Corning, you have to come with the elastomer. So they sell together. That's what my understanding. But for SCHOTT, you buy SCHOTT, vial and you don't have to buy from West at this point.

Tegus Client

Okay. I think I mean, you're saying that let's say, I'm a customer and I go to West, and I want to buy the vial, the stopper and the seal from West. In the case of Corning, if I want a Corning vial, I have to have a West stopper. It's associated with it. But it's to say, I just want the SCHOTT vial, I can buy that from West, and I have no obligation to buy a West stopper or seal.

Former Director, Scientific Insights Lab at West Pharmaceutical Services

Right, right. By Daikyo, right now, is Daikyo CZ has to use Daikyo elastomer. With many cases, West stopper does not even work. So Daikyo is selling their components completely, but to West. So West is making profit out of Daikyo products as well because West is the product owner.

Tegus Client

So West is simply distributing Daikyo's products in other markets?

Former Director, Scientific Insights Lab at West Pharmaceutical Services

Exactly.

Tegus Client

I know West has a contract manufacturing business. I don't know if you know the history of this and the rationale for them owning this business.

Former Director, Scientific Insights Lab at West Pharmaceutical Services

Yes. So, I'm not quite in that business, but I know the history, at least. In the '90s, they acquired a company called Tech Group, right? So the Tech Group is the strongest injection molding CMO before. So that's a contract manufacturer for auto injector or those type of injection molding companies. So that's a strongest manufacturer. They can produce plastic components.

So that's how the Tech Group is in and then it becomes West's innovation of Device Group Division. And then they are making some of the CZ components, like the prefillable syringe, for example, this Staked needle, they developed their own patents. West owns the patent on the prefillable syringe patent.

So Daikyo is making like CZ vial, for example. And then some of the syringe, but the Staked needle syringe is invented by West that contract manufacture site, but they converted some up to internal developer, not before was the Tech Group is exclusively contract manufacturer.

So West is making it to be part of its internal development for the CZ product. And then this division initially did not grow that well. And then because I think what I remember, it was like a Pfizer's business and then on Novartis, and they lost some of the business contract businesses. And then right now, they're doing really well in the past several years as far as I know.

Tegus Client

Okay. So would you say that really the contract by buying Tech Group, West was able to develop more knowhow in terms of manufacturing these types of products. And because you could look at the contract manufacturing business you criticized it for being more commoditized and low margin? But actually, there's an element of know-how and learning that West has been able to take to improve their moat?

Former Director, Scientific Insights Lab at West Pharmaceutical Services

Yes. So West will take the technical strength in some of the container development, right? So become the part of that is out of the contract manufacturer part developed product. So that's part of it. And also in the contract manufacturer, be there, and then right now allow them to say, "Okay, we want to be one-stop-shop."

Tegus Client

Yes. I mean, is there anything that I haven't asked you that you think is important to touch on? Any critical points or things that you think you'd like to share?

Former Director, Scientific Insights Lab at West Pharmaceutical Services

Yes. So looking at the competitive landscape. And then I do feel West has the urgency to develop new products and technology, to be honest because there are a lot of new competitors coming up, especially like India and China, especially China, some of the products developed, it's pretty good, actually.

And there's now the COVID, but before the COVID, you can see them on the trade show in New York and then they developed some of the products that we did like a competitive analysis, they're pretty good. So West is really under pressure. Right now, they're dominant like North America. And then that's why the upside becomes stronger, stronger, right?

The business we're taking for the BD, right, for example, after BD relationship and also that's why they're building plants in Delaware, the plan is running. So they are trying to compete in with West and they openly said they want to have a piece of pie from West.

So a lot of China, as far as I know this product was developed by Aptar and then also by least three Chinese competitors are coming. So in China and West, it's still pretty weak West because of the price. So with the globalization everywhere, so we will have this threatening at a certain time before too long.

Tegus Client

Yes. Just picking up on China competitive front, would you say that these Chinese players are effectively taking share or growing the pie or have a right to win in the Chinese domestic market? Or do you think that they can successfully come into the U.S. market and also gain FDA approval and the trust of big pharma companies like Pfizer and Johnson, et cetera?

Former Director, Scientific Insights Lab at West Pharmaceutical Services

Yes. So here's the starting point with the pharmaceutical company, like Pfizer and Johnson right now, they

have a lot of manufacture side going to China as well, right? So in China, West has difficulty to go in, okay? So they can qualify the drug if manufactured in China, and then they can qualify there and then can we sold to western part.

So it's going to still depend on where the drug is manufactured and then depending on which companies adapt the first to qualify them. That's the key thing. So I think the weak part is most of the drug is invented in western country.

And then they have already components and then they are manufactured in China, and then that's the issue, right? So if the things are reversed and then the drug is invented there and the first to apply there and then they qualify local and then we'll be threatening more and more coming.

Tegus Client

I mean just one point on that. So if I were to think then of the case of a western invented drug in North America, which if I'm Pfizer or if I'm Johnson, would I have an incentive, given that the rubber, the elastomer piece is such a small part of the total cost of the drug. Do I really have an incentive to try and lower the cost of that by going to a Chinese supplier? Or is that not really the case?

Former Director, Scientific Insights Lab at West Pharmaceutical Services

Yes. But the pharmaceutical company is not as rich as you think. So they have a lot of pressure as well because they have a massive organization. And then their cost is pretty sensitive. It's not like 20 years ago, a pharmaceutical company considered like the high tech today and very rich, they wouldn't in the mind, especially if some of the drugs that the patent expire, they have pressure, the drug cannot sell that high price and then you start to gradually have the pressure of try to be cost-sensitive.

Tegus Client

Okay. So I mean just one final question then. What is the primary reason that a customer chooses a West seal or stopper? Is it the quality and reliability of the product? Is it the ability West has to supply that at a large scale given their huge manufacturing footprint and expertise? Or is it primarily cost?

Former Director, Scientific Insights Lab at West Pharmaceutical Services

Okay. So number one is the confidence, right? So they have confidence on the West from the historical reason. And for example, you have to pick if you have products, the drug product in there, they tend to use it. That's human nature, right? So if you use it, you get user, you feel more confident and you feel like less risk.

And then West has the strong business is the biggest manufacturer on those and also have the supply chain security because it's global, you have multiple sites. So the supply chain is more secure, right? So if one side had a problem like many years ago, the West has explosion in Kinston.

But it's still supplied by the other plant, they don't miss delivery. So we have leverage. And then the first one is definitely the quality, the consistency by the history you see it can predict the future. So you can see, okay, that's the case. That's why driving use. But from cost price-wise, I don't think West has advantage now.

Tegus Client

Well, those are all the questions I had. Thank you very much for your time. Have a nice day.

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