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West Pharmaceutical Services, Inc. (WST)

Janney Montgomery Scott Healthcare Conference

CORPORATE PARTICIPANTS

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Paul Richard Knight

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MANAGEMENT DISCUSSION SECTION

Eric Mark Green

President, Chief Executive Officer & Director, West Pharmaceutical Services, Inc.

Thank you for participating in the West Pharmaceutical Services presentation. I believe, Paul, will have a follow-up Q&A afterwards. Joining me today, Bernard Birkett, who's our new CFO that just joined us a couple of months ago and he's been on the road, seen a lot of our investment community and also our customers. It's great to have you on board here, Bernard. Also, Quintin Lai, who is heading up our IR here at West.

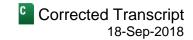
I'm going to talk a little bit about the story of West. Before I get started, just to remind everyone, the Safe Harbor statement that's on the presentation in front of you, but also, you can find it at our website at www.westpharma.com.

To get started, our focus really is, well, containment and delivery of injectable medicines. That's our focus. We've been doing this for 95 years, and we're very proud. It's a very – an important critical element of the ecosystem around healthcare. This has been true to our DNA for many years, and we believe that we'll have a long journey ahead of us. And so thinking about our participation, we are in the top 50 biologic molecules in the marketplace today, either our products and/or our partner Daikyo out of Japan. Just to remind everybody, that's over a 45-year partnership relationship that is bulk distribution, but also around technology exchange between two firms. 95-year history we're celebrating this year, and we think about where we – we're started in Philadelphia. We are still true to the elastomer core of our businesses, which is where we started.

The annual production is roughly around 41 billion components annually in our 28 manufacturing sites around the world. And to put that in perspective, that's about 110 million components per day, which is touching patients whether it's in diabetes, whether it's in the hospital care setting, or patients that have injections in the convenience of their home.

We think about our diversity of the business model today, geographically speaking, we're roughly around 40% in the Americas. If we take out Latin America, it's close to about 39%, 40%. We think about Asia and Latin America,

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it's about 10% of our business. And so, we are diverse throughout Europe, U.S., and North America, and also in Asia-Pacific.

From a product point of view, roughly around 23% of our business is contract manufacturing, where we're manufacturing devices for our customers. So we do the design, the scale and mass manufacturing in the healthcare space. The other roughly 80% – probably less than 80% is our proprietary products, and what's the key driver of growth and performance of that part of the business really is around our high value components. This business is roughly less than 20% of the number of units we produce every year that represents roughly, on a consolidated basis, about 41% as of 2017. That is truly a growth engine here at West.

Looking from a market segment point of view, we roughly have outside of contract manufacturing, evenly dispersed between pharma, generics and the biologics space. And what's exciting here is that we have active participation with over 2,000 customers globally. No one customer represents more than 7% of our sales, and we operate out of 50 locations and 28 manufacturing sites.

The performance of the business has been consistent and it's sustainable growth we've seen over the last five years. We think about – in the top line, roughly over 6% CAGR on a constant currency basis, and more than double of that in adjusted EPS basis. And from an investor community perspective, we have outpaced the major indices that we mark ourselves against. Thinking about the growth strategy of West, where is our focus? We really broke it down into three pillars with the fourth pillar being the financial performance of the company. And I'm about to get in greater detail at this moment.

We'll start taking about being market-led, what does that mean? As a company that has produced 41 billion components last year for the last 95 years of being a manufacturer, we have lifted the organization or shifted from a product-led approach to more market-led, and we cluster the customers into these four key areas: generics, pharma, biologics, and contract manufacturing.

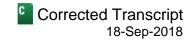
When you start thinking about the uniqueness of these areas, we have dedicated commercial and business development and marketing teams that are just focused on the value propositions. And you'll see from quarter-to-quarter, year-to-year, some variabilities between the businesses, but overall, you'll see the injectable market space growing about 3% to 5% from a volume perspective and across the globe. What's consistent across our whole portfolio is the focus on quality and connectivity for our customers to really bring back new opportunities to develop our new innovation, which I'll talk for a moment about.

You think about 80% of our products are produced – they're called standard products, this is the core elastomer part of our business and steels. And we have developed this high-value product continuum which allows us to bring capabilities and services our customers used to perform internally, and we bring into the West environment to enhance the product quality, the features and the benefits, especially when you start talking about the complex molecules in the marketplace.

On the top of this diagram, you'll see five key launches that we've had this year, we talked about. One is the drug, AccelTRA. It really is a portfolio focused in the generics space around speed, around quality. It's longer run lines for us, allows us to be more competitive, obviously, have more attractive margins in our portfolio.

The Westar Select, we communicated about two months ago when we actually opened our facility at Waterford, Ireland. This is the first product portfolio that we actually are referencing the process versus the site when we're having – when the drug molecule's filed with the Drug Master File. So, therefore, we can level load our operation.

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It gives us better, tighter tolerances in our operation. And it gives our customers a higher degree of security and risk mitigation having the capability across multiple sites.

The last one I'm going to talk about is always to the right, SelfDose. This is an auto injector that we have – it's our IP that we've developed. And we were able to receive an award this year and we actually have launched it in a commercial environment for the second half of this year. So we're really excited about the pipeline. We continuously widen the pipeline, but also extend it out to the right further with more capabilities around the right.

What really differentiates West in the marketplace is around the scientific and the technical capabilities of the organization. Just in the first half this year, you can see the statistics in the bottom of this deck, it really does differentiate when we have our customers in our site approximately 300 times for the year to take a look at our processes and it only allows us to build on the quality and capabilities that we have internally.

We're constantly in front of podiums – behind podiums at these conferences talking about the science and the technology. West is clearly the leader. We've started thinking about the interaction of the materials and the drug molecule, and that's where we bring value to our customers on a daily basis.

When you think about our operations footprint, we mentioned about 28 manufacturing locations. It's imperative to realize that when you're producing 41 billion components, you talk to an operator in the shop, for their focus is on each and every component that leaves our facilities literally has the patient's name on it. And that's why we're able to keep the – when you think about these are accretive [indiscernible] (00:08:19) it's industry-leading, you're talking about less than 10 per billion in the marketplace, which is, quite frankly, we continue to work on improving that year-over-year.

But, more importantly, as you think about the global operations, we've brought that team together. For the first time in the history of the company, we had a single network focus to drive efficiencies and productivity in our facilities across the globe.

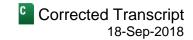
The four key metrics that we're focused on and our global operations today is around safety, quality, service and cost, which, in all four areas, the team is firing on all cylinders. If you think about the globalization of the operations, we have a new program that we've launched in the last year with the global operations is what we call One West Management System.

It's really focused on driving efficiencies around lead times to customers. This is one of the bottlenecks we had in the organization a year-and-a-half, two years ago, and we alleviated that with twofold. One is, obviously, expansion of capital into North Carolina, but also in Waterford, Ireland. But we also implemented more lean principles across our sites that's allowing us to get better efficiencies and more throughput on existing asset base across the globe.

We have a restructuring program in place with a global operations footprint. The view that we've had, we're looking at creating more centers of excellence. This restructuring program we announced earlier this year is on track. It's a two-year program.

I'd point it as the Phase I when we started thinking about consolidating two sites into existing sites so we can leverage our assets more effectively, but also provide better service to our customers and drive cost out of the system. We expect roughly around \$10 million of capital is required to get this consolidation completed. And when you think about the payback, in year 2020, we're looking at approximately \$20 million plus or minus above \$3 million each and – of ongoing benefit annually with this activity.

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Stay tuned as we continue to drive these global operations. We feel there's clearly opportunities to create more synergies between our sites and better align with our customers. I think we – when you think about capacity, we have – when you think about capital expenditure that we've announced last quarter, that we're guiding slightly less than we've historically guided. I think, historically, we're above \$150 million to \$175 million a year. This year, we're indicating less than \$150 million. About two months ago, I'm not updating guidance, but simply we said between \$120 million and \$130 million is the corridor. The reason why we're comfortable with thinking about less capital in our organization is that we have the bricks-and-mortar today. So, that tends to be the higher cost and longer payback period.

So, the investments that we look at today around our operations, roughly around \$40 million to \$50 million maintenance on the existing facility, to keep the quality in the operations at the highest level; another \$10 million to \$15 million around IT and infrastructure; and the balance on growth initiatives. These growth initiatives you'll hear about over the next two or three years are really going to be a line extension, a modular approach around new technology, new automation, allow us to be more efficient, and the payback to be much shorter time period at West.

So, as we mentioned, we had a opening at the Waterford facility. I am quite proud of the team; under budget, on time. And we are producing products validated by our customers in the second half of this year. You'll hear more about that throughout end of Q3 and Q4. I'm excited, but at this time, it is a headwind for us and we understand that, about \$4 million a quarter. But as we start putting revenue through the facility and commercial revenue, they'll dissipate over time. And we're very well positioned to have the latest state-of-the-art capabilities in our network.

So, to summarize, I went through a lot of topics in this conversation, but really, the market-led strategy is gaining traction, continue to drive new innovations, new capabilities around the four areas that we're focused on in the pharmaceutical, the biotech when you think about the generics and the contract manufacturing spaces. Our products are differentiated. It's led by quality and there's tremendous science and technology expertise in the halls of West. We're actually with our customers [indiscernible] (00:13:00) to solve some pretty complex problems.

Our innovation pipeline continues to expand, continue to drive out the high value products, particularly around the areas – up to the areas of NovaPure, followed by [ph] science (00:13:13), concept and capabilities, and really pleased with the traction we're gaining and with our operational effectiveness. We're seeing early signs of success in our proprietary business. We're pulling the same methodology into our contract manufacturing, and we believe we can continue to drive market expansion as we continue to implement these programs globally.

At the end of the day, with Bernard on board, we have a very strong management team that has been – a lot of new faces over the last couple of years due to retirements at West, but really pleased that we have a strong platform to work off with really quality leaders to allow us to continue to grow this business and create value. So, I appreciate your time, and we'll able to get into, Paul, a Q&A session.

QUESTION AND ANSWER SECTION

Paul Richard Knight Analyst, Janney Montgomery Scott LLC Great. Thank you very much, Eric. If people have questions as well, they can e-mail me those questions at pknight@janney.com. And with that said, Bernard, I want to hear the new guy on the management team, and I'd love to hear what you would like to do or see in your role at West going forward. Bernard J. Birkett Senior Vice President, Chief Financial Officer & Treasurer, West Pharmaceutical Services, Inc. Well, the biggest thing is to make sure that we continue to grow the company, and we've grown over the last number of years and with strong organic growth, and then leveraging that to increase overall shareholder value and driving EPS growth in the range that we've seen in the past. Eric has built out a very solid team over the last number of years and that was part of the attraction of actually coming to West, to work with people who have been brought in to drive this growth forward and to build out this company. A couple of things that we're focusing on is really looking at, from an analytical point of view, strengthening that area a little bit to make sure that we have greater visibility in our business, that we can communicate both internally and externally around data, and give people a better sense of what's happening, actually, before it happens in the business, and to increase the level of confidence there. Paul Richard Knight Analyst, Janney Montgomery Scott LLC West is, relative to many firms in the life science industry, has been careful or I should say conservative in breaking out startup production costs like you experienced in Ireland. Many companies will do, well, a lot of non-GAAP additions. Where are you on that regarding your - what you want to talk about on non-GAAP in the reports ahead? Bernard J. Birkett Senior Vice President, Chief Financial Officer & Treasurer, West Pharmaceutical Services, Inc. Quality of earnings is key. Paul Richard Knight Analyst, Janney Montgomery Scott LLC Yeah. Bernard J. Birkett Senior Vice President, Chief Financial Officer & Treasurer, West Pharmaceutical Services, Inc. If you look at the way West has treated a lot of these costs in the past, it's been pretty conservative and preserving that quality of earning. So, investors have that confidence is also key. And I will be looking at doing that as we continue to move forward into the future. So if - note, it has to be a balanced view, but again, a conservative approach. We don't want to be adding back every smallest transaction that happened.

Paul Richard Knight

Analyst, Janney Montgomery Scott LLC

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Corrected Transcript
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Right.

Bernard J. Birkett

Senior Vice President, Chief Financial Officer & Treasurer, West Pharmaceutical Services, Inc.

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So it's, again, the key thing is quality of earnings, that people have confidence on what we're doing, and they can be confident when they're extrapolating that when they're looking at the long-term position of the company.

Paul Richard Knight

Analyst, Janney Montgomery Scott LLC



And, Eric, you're from Sigma-Aldrich, the most successful performance in the life science equities of any – in a pretty elite group. What do you still want to get done in this many years ahead of you at West?

Eric Mark Green

President, Chief Executive Officer & Director, West Pharmaceutical Services, Inc.



Well, Paul, there's a lot of work ahead of us. I mean, we have – I was very fortunate to inherit a very strong organization. So, the predecessors and some management that have just recently left us had a tremendous track record. But we have more opportunities, I believe, to this whole market-led concept to get closer to our customers and to understand what is the next adjacent or capability we need to bring in-house, whether organically or inorganically, to enable us to better service our customer holistically.

I think the second lever that you're starting to see flexed a little bit is around operational excellence. We have a journey ahead of us, but we have the number of sites that we have globally, the complexity of operations, the complexity – the number of products, and we're a make-to-order type of organization as a provider to our customers. There is tremendous opportunity to take cost out of the system. I'm truly pleased – first of all, the first focus was to continue raise the bar in quality, and we're doing that.

Paul Richard Knight

Analyst, Janney Montgomery Scott LLC

Yeah.

Eric Mark Green

President, Chief Executive Officer & Director, West Pharmaceutical Services, Inc.



The second area was around safety. We've improved that or cut into half, basically, our injury rates. The third area's around delivery to customers. And I think if you would speak to our customers, that's right, we're still getting letters or get phone calls or when I meet with them, they'll say the first they've done is we reduced our cycle time significantly, which is taking working capital off their shoulders.

And we've seen that kind of flush recently into the last year and a half. But I believe in the operations side, we have more opportunities to drive lean, to drive margin expansion in a consistent performance year-over-year, resulting in a stronger ROIC performance and free cash flow.

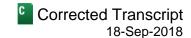
Paul Richard Knight

Analyst, Janney Montgomery Scott LLC



What level of operating margin improvement would you like to see year-in and year-out?

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Eric Mark Green

President, Chief Executive Officer & Director, West Pharmaceutical Services, Inc.

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Yeah, we're looking at, and we've said this in the past and we'll – if we want to update it soon, Bernard will do that, but we have operational – I mean, like an operating margin perspective, about 100 basis points...

Paul Richard Knight

Analyst, Janney Montgomery Scott LLC

Okay.

Eric Mark Green

President, Chief Executive Officer & Director, West Pharmaceutical Services, Inc.



...and a lot of that being driven definitely from the operations. When I think about our spend profile today, I think in R&D, I'm willing to take some of the free cash flow and put it back in R&D if we have a payback. We can clearly give line of sight and we're very transparent about what we're doing. On the SG&A side, we have been building out our commercial organization and, again, be more focused around the specific areas that we're going after. So I think the leverage will really definitely come from the operations.

Paul Richard Knight

Analyst, Janney Montgomery Scott LLC



And the centers of excellence build-out, you have done that in Ireland. You, I know, discussed the possibility of further expansion within Asia. What's your thought on building out centers of excellence versus other initiatives like M&A? Is M&A on the table or is this both? Where's your head at on what you want to do in those two areas?

Eric Mark Green

President, Chief Executive Officer & Director, West Pharmaceutical Services, Inc.



So the great news is that we have built out tremendous bricks-and-mortar over the last several years. You think about the infrastructures we've put into Kinston, North Carolina, also in Waterford, Ireland, a very smart approach where the utilities and the spine of these facilities, and Kinston can double, if not, triple; and Waterford could quadruple.

So the additional cost dollar per square foot or square meter, if you want to say, in Europe is a lot less than the original cost. I think the investments you're going to see from a CapEx perspective are going to be more around Envision inspection, washing technology, new automation to allow us to be more efficient and higher quality products in the marketplace.

So when we start thinking about centers of excellence, I think we have built out enough infrastructure to now start adding the technology which will bring down that CapEx to more about steady state for the next several years, which brings me to the next point is it does free up more cash flow. We are deleveraged from the sense of more cash in the books than debt. But also our free cash flow this year, if you think about share buyback and dividends, we're actually positive.

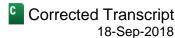
Paul Richard Knight

Analyst, Janney Montgomery Scott LLC



Yeah, yeah.

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Eric Mark Green

President, Chief Executive Officer & Director, West Pharmaceutical Services, Inc.

It's been several years. So we've been working towards that. That's the mindset. And we want to reinvest it around inorganic opportunities. I think, to be specific, inorganic opportunity really is around bolt-on technologies, new novel technology around delivery devices, and thinking about as we look at our customers on the next step from what we do from primary containment to delivery devices, the natural extension beyond that adjacency. But again, bolt-on technology type mindset.

Paul Richard Knight

Analyst, Janney Montgomery Scott LLC

Okay. And the institutional investor, I think, is most excited about the profile of your cash flow; meaning, it goes from single-digit growth this year to very strong double-digits the next two years. A lot of that linked to Ireland coming online. What's the ramp-up look like at Ireland and how's that going?

Eric Mark Green

President, Chief Executive Officer & Director, West Pharmaceutical Services, Inc.

Yeah. Paul, and I know that Bernie is [indiscernible] (00:22:11) we've been very transparent that Waterford is roughly, on a quarterly basis, about \$4 million of headwind.

Paul Richard Knight

Analyst, Janney Montgomery Scott LLC

Okay.

Eric Mark Green

President, Chief Executive Officer & Director, West Pharmaceutical Services, Inc.

And we know that a facility like that, and we've done that historically at West and a few other locations, takes several years to get a very strong payback. We believe breakeven is sometime in 2020. The commercial revenues are starting to come in as we speak, which is great news because that means that customers have validated our processes and our product, and we're very comfortable to start pulling product from Waterford.

So we're on that journey. It is a headwind though for a period of time, but on a comp basis, this can be less so as we go forward. So I think there's opportunities to continue to push more revenue and product to that facility.

Paul Richard Knight

Analyst, Janney Montgomery Scott LLC

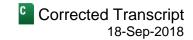
It's been rainy in North Carolina, specifically Kinston, which is a major production facility for you. Can you talk about Kinston and any downtimes there and any color around Kinston?

Eric Mark Green

President, Chief Executive Officer & Director, West Pharmaceutical Services, Inc.

Yeah. Absolutely. So on Thursday of last week, we shut the operations down, secured it, had all employees – a little over 300 employees reside in Kinston for West. We implemented our alert system and our protocols that we put in place for hurricanes or natural disasters. We were able to get in there on Sunday and identify there was minimal, really no damage to our facility. There was some work that we had to do to get it back up and running.

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As of Monday morning, – by the way, most importantly, there's no reports of injury of our employees. Obviously, they have some personal damage that West will help them on. And as of yesterday morning, Monday morning, we had a good, healthy crew in to start up our operations. So it'll take some time. We are concerned about the potential flooding over the next few days, but we do believe that the delay is really only a few days for us at Kinston, but fortunately, not as big as an impact as we're anticipating.

Paul Richard Knight

Analyst, Janney Montgomery Scott LLC

Okay. And Crystal Zenith has always represented great potential to investors. Could you talk about your thoughts on Crystal Zenith or what one product or two products would you highlight represent the most excitement to you?

Eric Mark Green

President, Chief Executive Officer & Director, West Pharmaceutical Services, Inc.



Well, I tend to go – first of all, let's answer your question about Crystal Zenith. So, let's address that. You're right. There is – we have talked about Crystal Zenith a number of times. I do believe in the technology, the industry believes in the technology for specific application, tends to be around the most complex biologics in the marketplace, and that's where the interest is with our technology. And the number of products that are being stability tested, being worked on with our Crystal Zenith has escalated since the last number of approvals that happened in the marketplace. So, it's a slow journey, it's a long journey, but we're seeing the penetration occur at this point in time. But we're not saying that, that's a big piece of our business, it's still a very small number at West.

I think what really excites me with our portfolio is twofold. One is taking our existing products and elevating them to a level of quality and capabilities that is unmatched. When you start thinking about Westar Select, it was somewhat subtle when we launched it in Waterford. We had a lot of conversations during that time period, but the one thing about Westar Select, it gives us the capabilities to sort of level load in our operations. Instead of a customer pointing their filings towards a specific site and a process, they're pointing towards a process within West. It doesn't hinder the moat around our business, it actually expands it, because it gives us the ability to respond to our customers more expediently, and sort of level loading Kinston and Waterford as examples of trade-offs and support our customers.

Today, when we are working with customers, they tend to be site-specific. And so, you think about the journey for West next 5, 10, 15 years, raising the bar on quality, raising our productivity, and driving cost in our system, this is a program that will do it. Second area that I'm excited about is, and I've mentioned this a few times in the last few months, but in our generics-based AccelTRA program. In the last 12 months, we've had – the team has had specific targets on the number of samples being requested by customers. We have far exceeded that in both time periods. It is a journey that's going to take time to get penetration to get our product on the market with specific drugs in the generics space, but it's resonated really well with the top generic players in the marketplace. And that gives me confidence for twofold. One is, again, raising the bar on quality, but allow us to do larger, longer runs.

Paul Richard Knight

Analyst, Janney Montgomery Scott LLC

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Which product is that?

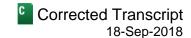
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Eric Mark Green
President, Chief Executive Officer & Director, West Pharmaceutical Services, Inc.

AccelTRA is basically taking it – it's a step up from Westar.

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Paul Richard Knight

Analyst, Janney Montgomery Scott LLC

Okay.

Eric Mark Green President, Chief Executive Officer & Director, West Pharmaceutical Services, Inc.

And so, you can use it in stoppers, you can do it in plungers, in all different forms and fashions. But what's really exciting about this is that it allows our customers to file the ANDA faster and get approval faster with our product with all the quality documentation associated to that. So, that's an area of excitement that I see throughout the halls of West.

Paul Richard Knight

Analyst, Janney Montgomery Scott LLC

Any questions from anybody?

Well, you probably have as good of an insight into the biotechnology industry than anybody. You're doing stability testing for years in advance. What do you see from the biotechnology industry right now, more originative medicine testing, a pickup and demand over the last year, stability? Can you talk about what you see within the biotechnology industry?

Eric Mark Green

President, Chief Executive Officer & Director, West Pharmaceutical Services, Inc.

Yeah. In the biologics area, well, you're right, we have good visibility from early on. And it's interesting when you start thinking about just looking from a customer perspective, tremendous amount of products being worked on in the emerging biotech space. It seems to be increasing. And I think it's relative – it shows through the pipeline and the data that supports that. We are seeing an uptick in the stability testing area.

One thing that I see clearly within biologics space is the volatility of the demand-pull once drug molecules are released into the marketplace. And some are obviously wildly successful and some are a little bit slower in the adoption. And since we participate in a very high - managing all of these products, we do see that volatility. But what's encouraging to me is that we're early on in the development phase.

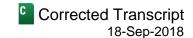
We're early into the stability phase. We have great connectivity to the emerging biotechs. We're actually getting ready to launch a new online experience for the emergent biotech space, so we can bring all that rich technology and information we have with our knowledge center, which is needed most in the emerging biotech space, allow us to feed the pipeline for future growth. And that's what we're seeing in the biologics space.

Paul Richard Knight

Analyst, Janney Montgomery Scott LLC

Bernard, could you give us a little bit of background on your experience and your past roles in the industry, and just give us a little color on where you've been?

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Bernard J. Birkett

Senior Vice President, Chief Financial Officer & Treasurer, West Pharmaceutical Services, Inc.

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So the last 23 years has been spent in MedTech, and most of that with Merit Medical Systems, which is headquartered in Utah. For 17 years, I spent working within the international market, so based out of Arden, but setting up companies throughout Europe and then looking at China, Asia-Pac, Brazil, Russia, India. We've got a lot of experience in those areas and particularly in a growing segment of the business that's starting off, and making sure that we could scale correctly and drive a lot of profitability.

Three-and-a-half years ago, moved to the U.S. and worked within a corporate environment and set up an FP&A organization to support the overall growth and scaling of the business, and to make sure that the company was starting to work with a lot of data and using that to really feed into the decision-making process. So making sure we had the systems in place, the people in place with the skills to interpret, and then feed it back into the organization.

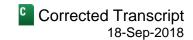
And then, took over as CFO of that organization back in November 2015. The company was about \$750 million market cap at that period of time. I think last May, when I was leaving, it was about approximately \$2.8 billion, and a lot of that was driven with significant revenue growth which is organic.

And then there we made a number of acquisitions that we did – there was a number of acquisitions done over that period of time, both internationally and domestically, of various sizes. And so, the focus was really on growing revenues, expanding gross margin, letting that fall through to EPS and then driving shareholder value.

So a lot of the things that I would have done in my past was actually – were based really well to West because a lot of the initiatives are the same really strong organic growth, looking into other ways maybe to bolster that, improving gross margin, operating margin, and then, again, really focusing on driving free cash flow improvement, looking at how we deploy that, and then overall improvement in ROIC.

Paul Richard Knight Analyst, Janney Montgomery Scott LLC	Q
Globally	
Bernard J. Birkett Senior Vice President, Chief Financial Officer & Treasurer, West Pharmaceutical Services, Inc.	A
Sorry, pretty similar.	
Paul Richard Knight Analyst, Janney Montgomery Scott LLC	Q
Globally, what do you want to do? I mean, it's a pretty global business. Sigma was very global in itself.	
Eric Mark Green President, Chief Executive Officer & Director, West Pharmaceutical Services, Inc.	A
Yeah.	
Paul Richard Knight Analyst, Janney Montgomery Scott LLC	Q

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What are the global opportunities? And I think a lot of people always ask how do you – can you and will you be able to capitalize on growth in Asia?

Eric Mark Green President, Chief Executive Officer & Director, West Pharmaceutical Services, Inc.	A
Yeah.	
Paul Richard Knight Analyst, Janney Montgomery Scott LLC	Q
But could you talk about what you want to do?	
Eric Mark Green President, Chief Executive Officer & Director, West Pharmaceutical Services, Inc.	A

Absolutely, Paul. I think there's a good opportunity for West to grow faster in Asia. We're seeing that this year, another pickup in China. And also, in India, we have some issues about 24 months ago with [indiscernible] (00:32:51) with our customers, but that's somewhat dissipating at this point in time, especially on the generics space.

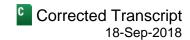
But there's other markets within Asia that we can get closer to. And especially when we start thinking about the biosimilars market, which there's a pull effect for West and opportunities for us to get closer, mostly in the business development and the technical side. So I think Asia is going to continue to be a growth engine for us. Last year, it was around 7% of sales and I expect that to be bigger as time goes on. And we have made the investments this year and last year to enable that.

So there are clear expectations. From an operations point of view, we do have assets in the ground both in China, India and Singapore. It gives us a great platform to really support the whole region. And we do not require additional major investments at this time to support this growth.

Paul Richard Knight Analyst, Janney Montgomery Scott LLC	Q
Is Asia growth in India, Singapore, or does it also include China?	
Eric Mark Green President, Chief Executive Officer & Director, West Pharmaceutical Services, Inc.	Α
Includes China.	
Paul Richard Knight Analyst, Janney Montgomery Scott LLC	Q
Okay. Is Samsung a customer?	
Eric Mark Green President Chief Executive Officer & Director West Pharmaceutical Services Inc.	A

I don't speak directly of our customers. So the South Korean market, especially in the biosimilars, is very attractive to West, and we participate. And the opportunity to get closer is something we're looking at. So, look, we have over 2,000 customers and we're with all the major players. So, yeah.

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Paul Richard Knight

Analyst, Janney Montgomery Scott LLC

Could you talk about as you become a little more global, that part of the market grows faster, Bernard. Can you talk about taxes right now? Can you talk about of the tax rate change because of greater exposure to these Asian markets? And can you talk about do you think this globalization makes it easier for a 50 to 100 bp margin expansion to occur at West?

Bernard J. Birkett

Senior Vice President, Chief Financial Officer & Treasurer, West Pharmaceutical Services, Inc.

Yeah. The global expansion will, obviously, as you increase demand and get better utilization of your facilities. And we have facilities in those areas already and which – and you have capacity there. So we're primed for growth in that area.

Paul Richard Knight

Analyst, Janney Montgomery Scott LLC

Okay.

Bernard J. Birkett



Senior Vice President, Chief Financial Officer & Treasurer, West Pharmaceutical Services, Inc.

So all of that is going to feed into overall margin expansion. On the tax part of it, we have a very strong tax group within the company. It's something that we continuously look at. And we're always looking for ways to improve our tax rate. And you would've seen that over the last number of years.

Paul Richard Knight

Analyst, Janney Montgomery Scott LLC



Yeah.

Bernard J. Birkett



Senior Vice President, Chief Financial Officer & Treasurer, West Pharmaceutical Services, Inc.

don't over rely on it.



Paul Richard Knight

Analyst, Janney Montgomery Scott LLC

And then just to kind of wrap it up, you said earlier, you're in the top 50 biologics approved. What do you want to do to continue to defend that position in the market, which is already quite impressive?

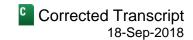
And there's no reason to think that that would change at all. So, again, it's something that's in our plans, but we

Eric Mark Green

President, Chief Executive Officer & Director, West Pharmaceutical Services, Inc.

Yeah. Paul, today, we have to earn the stripes for the next molecule. And so, what we're doing is we're continuously rolling out new programs to actually bring more technology and the science behind it to the table with the drug companies. And so, that's resonating well. Secondly is, we're being pulled into the conversations more of a combination device approach. Now, we have more of those in the marketplace. And we're working on Gen II and Gen III as we speak. And the number of interest – development agreements on the table is highest it's ever been at West.

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But this is future earnings, right? So I think the combination of both we are pulling together new programs around science and the capabilities and broadening the portfolio, but also, more importantly, is to start thinking about combination devices, which we're already playing at. So, that gives us good platform to work in the biologics space from an organic point of view.

Paul Richard Knight

Analyst, Janney Montgomery Scott LLC

And the next generation of therapeutics is in regenerative medicine. I think I talked about earlier this morning, 900 in global development to approvals. Does West win off of that category of therapeutics emerging?

Eric Mark Green

President, Chief Executive Officer & Director, West Pharmaceutical Services, Inc.

We win, but it's not as robust as the other parts of our portfolio. And because there's – number of units as an example. So – but as we start thinking about what we can provide to that market which we're addressing, gives us an opportunity to have a higher win rate, as far as more value captured as they launch those therapeutics.

Paul Richard Knight

Analyst, Janney Montgomery Scott LLC

How long will a customer be undergoing stability trials?

Eric Mark Green

President, Chief Executive Officer & Director, West Pharmaceutical Services, Inc.

It depends. They have some that are very short and some are very long, multiple, multiple years. So, it does vary. It varies by the customer segment. So, it is a lot of volatility.

Paul Richard Knight

Analyst, Janney Montgomery Scott LLC

What's your retention rate? If you have a customer that's doing Phase 1 and Phase 2, and then, ultimately, achieves approval, are you achieving 100% share or what is the...

Eric Mark Green

President, Chief Executive Officer & Director, West Pharmaceutical Services, Inc.

Well, Paul, if we're working with them in Phase 1 and Phase 2 and they go to commercial, we're there.

Paul Richard Knight

Analyst, Janney Montgomery Scott LLC

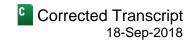
Okay.

Eric Mark Green

President, Chief Executive Officer & Director, West Pharmaceutical Services, Inc.

And we started early. And that is the benefit of this industry, is that for West, we have to be early in the conversation because for them to start thinking about alter the primary containment at the tail end requires several months, quarters, years of delays. And that's not – that could go long. So, early on, it usually sticks through – unless there's a quality or some type of regulatory problem, experience, but that does not tend to happen with West.

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Paul Richard Knight

Analyst, Janney Montgomery Scott LLC

Well, with that, we have to wrap it up because our next session starts at 9:55. But I want to thank Eric Green and Bernard, welcome aboard, and Quintin Lai is also here, and we thank Quintin for getting the team up here to New York as well, and thank you for your time.

Eric Mark Green

President, Chief Executive Officer & Director, West Pharmaceutical Services, Inc.

Thank you, Paul.

Bernard J. Birkett

Senior Vice President, Chief Financial Officer & Treasurer, West Pharmaceutical Services, Inc.

Thank you.

Eric Mark Green

President, Chief Executive Officer & Director, West Pharmaceutical Services, Inc.

Appreciate it.

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