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West Pharmaceutical Services, Inc. (WST)

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Vice President-Strategy & Investor Relations, West Pharmaceutical Services, Inc.

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Derik de Bruin

Analyst, BofA Securities, Inc.

MANAGEMENT DISCUSSION SECTION

Derik de Bruin

Analyst, BofA Securities, Inc.

Good morning, everyone. Welcome to the last day of Bank of America's 2023 Healthcare Conference and just happy everybody here coming to you live from the Encore here in Las Vegas. I'm Derik de Bruin and along with my colleague, Mike Briskin, we're the Life Sciences and Diagnostics Tools team. And to kick off our conversation this morning is West Pharmaceutical Services and with us from West is Bernard Birkett, Senior Vice President and CFO; and Quintin Lai, from Head of IR and Corporate VP.

Gentlemen, welcome. Thanks for being here and thanks for making it out. And Quintin, I know you just got in from – you flew in all the way from Dublin to be here. So I appreciate that you're still on your feet. So thanks for that.

QUESTION AND ANSWER SECTION

Derik de Bruin

Analyst, BofA Securities, Inc.

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So let's start with discussing some of the points kind of in your first quarter. Surprising mix, your 2.2% organic growth overall, Proprietary Products flat, your CMO up 14% organically. Good strength in your core offsetting COVID decline. Can you walk us through some of the puts and takes through the quarter? And also, I think there was a little bit of confusion on the Proprietary Product growth comments that were made. Could you sort of like clarify those?

Bernard J. Birkett

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

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Yeah. Well, thanks for the invite, Derik. It's great to be here. We appreciate attending this conference. The first quarter was a good start for us. We saw strong growth across all areas of our business. Double-digit growth in Biologics, same in Generics and Pharma and we actually saw a nice rebound in our Contract Manufacturing business as well coming off a slow year in 2022. So that was good to see.

Again, as you said, we're offsetting a lot of the drop in the COVID revenues. And what we have been saying for a long time that our core business is strong, the demand remains strong, and that we saw that as we progressed through the last couple years and that continues into 2023. From a – also from a margin perspective, good performance with our – particularly in the first quarter. So, pretty much in line with what we were thinking.

Derik de Bruin

Analyst, BofA Securities, Inc.

Q

Got it. Yeah.

Quintin John Lai

Vice President-Strategy & Investor Relations, West Pharmaceutical Services, Inc.

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Yeah. With respect to – thanks for that question. Yeah. On the conference call, there was a little confusion, so there was a misspoke. Eric said on the prepared remarks, he said, we continue to expect mid-teens growth for Proprietary, it meant to say we continue high-teens and we tried to clean it up in the Q&A, when someone asked to confirm it. Yeah, there's no change. So, no change in the guidance from where we were in February. And as you look at the pacing for that, for the year, we're going to see increased capacity come online throughout the year, and that's going to really have a better impact here, Q3, Q4.

So the way you should look at it, to get that is that, we're not going to see the typical seasonality where Q2 and then drop down Q3, Q4, but instead it's more steady rise through the year.

Derik de Bruin

Analyst, BofA Securities, Inc.

Q

Got it. That is really helpful. So a lot of the conversations that we've had around the conference have related to inventory levels. I mean, there's been times in the past when West has had issues with customer inventories and inventory management, then manage working capital. It seems to be an issue that's more pronounced in some of the bioprocessing supply companies versus the component suppliers that you guys do. Can you talk about what you're sort of seeing in inventories and why are you not as susceptible to destocking right now?

Bernard J. Birkett

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

A

Yeah, I believe that we're much closer to our customers now than we have been in the past and understanding their inventory position. And it is something that we managed quite effectively as we moved through COVID, where in some parts of our business we had constraints so we really had to manage the supply to customers. And what we were also conscious of as well during that time was inventory build. So, we really were tracking to see was there any purchase orders or buying patterns that were abnormal to what we have been seeing in the past. And if there were, it was really understanding whether our customer was [indiscernible] (00:04:50) because that helps us to be able to deliver the appropriate amounts to customers while we were in a constrained environment.

So I think that – having that visibility has helped us as we've moved into 2023. Where we are seeing some destocking and we called it out as we went through the backend of last year is particularly around COVID. And you can see that our number has dropped, our forecast has dropped for 2023. We originally said \$80 million, I think now we're saying about \$60 million and so we are seeing it in that area.

What we're seeing more so is within the standard part of our portfolio, not HVPs, within the standard part, we're seeing customers manage their inventory more effectively. In some of those areas we're replenishing stocks, we have a large back order given the constraints that we had. So we are fulfilling some of those at this time, but we are seeing customers within the standard product area manage their inventories, so that can impact the pacing of when we deliver, but not our overall growth in those areas. So it's just really working closely with our customers on that.

Derik de Bruin

Analyst, BofA Securities, Inc.

Q

Got it. Just since – I know we're all tired of talking about COVID, but since you did mention it, we've got some housekeeping. So, is – I mean, everyone is trying to figure out is – I mean, \$60 million on your relatively overall business is tiny at this point in time, right? But is there going to be some level, do you think, going forward in this? I mean, I think we're modeling like \$40 million for next year, but it's a complete guess.

Bernard J. Birkett

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

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Yeah. And we're not guiding out to 2024 at this point. And it is a moving target. As we said, like two months ago, we were saying \$80 million in February and now we're saying \$60 million. So it is moving piece. So it's very hard to predict for us, but as you said, it's become such a small part of our business. And it's not something that – it's something that we monitor.

Derik de Bruin

Analyst, BofA Securities, Inc.

Q

Yeah.

Bernard J. Birkett

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

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What we're more interested in seeing is, is there going to be a switch from large files to smaller files or to PFS.

Derik de Bruin

Analyst, BofA Securities, Inc.

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Yeah.

Bernard J. Birkett

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

And really understanding and trying to understand how that will play out over time if it does, but today, we have no more clarity on that.

Derik de Bruin

Analyst, BofA Securities, Inc.

Got it. Okay, let's leave that there. So just remind everybody how much of your sales are tied to high value products and...

Bernard J. Birkett

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

So about 72% of our proprietary sales are high value products. And that's been pretty consistent over the last number of quarters. So we are seeing that continued traction in the high-value product area. So even if you look at the core growth, we are seeing that traction there. That's supported by the level of investments that we're making across a number of our facilities. Just back to Quintin's point, we have a pretty large investment that we made on our Kinston facility coming on line in the back half of this year and we'd expect that to be into production pretty quick and then ramp as we gone through the year. And that's where we're seeing that demand still coming. We continue to invest across all our high value product plans for Jersey Shore, or Singapore, Eschweiler or [ph] Waterford (00:08:16) and Kinston and that is to support that growth and it's both for stoppers and plungers.

Derik de Bruin

Analyst, BofA Securities, Inc.

So is the number that – when you look at like new drugs that are coming out and is the demand overwhelmingly towards the high value products at this point in time like most things or – like what is still the stand? Well, I guess you got the [indiscernible] (00:08:39) the huge volume of standard products, right?

Bernard J. Birkett

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

Yeah. With a huge vol – it's probably that we call it 80/20 rule and then we convert about 100 basis points of volume to high value products each year, but what we're seeing is the growth rate in high value products outstrips the growth rate in our standard core products and that's reflected in the growth of Biologics which has grown like strong double-digits. Biologics is predominantly high value products. And again, back to a point that's where...

Derik de Bruin

Analyst, BofA Securities, Inc.

Yeah.

Bernard J. Birkett

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

...the investments are being directed to. And from an investment perspective and how it's allocated is typically our CapEx used to be 50% maintenance, 50% growth give or take. Now what we're seeing is about 70% of our CapEx is growth orientated. And so the payback is a lot faster and it's targeted around high value products and where we're really seeing a lot of incremental demand is around our plunger business.

Derik de Bruin

Analyst, BofA Securities, Inc.

Got it.

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Quintin John Lai

Vice President-Strategy & Investor Relations, West Pharmaceutical Services, Inc.

If you look at the Biologics, [indiscernible] (00:09:42) molecular entities that have been approved. I mean, they almost always start at the coded HVP and very often move up from FluroTec to Envision, FluroTec or maybe even to NovaPure. And they're increasingly more on the NovaPure side from the recent approval. And then on the ANDA side, the new molecules that are moving generic, several of those are also adopting our HVP because, over the last few years, you've been covering the company, we've been showing the benefits of having us wash and sterilize.

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Derik de Bruin

Analyst, BofA Securities, Inc.

Yeah.

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Bernard J. Birkett

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

And the [ph] Exceltro (00:10:24) line for example is getting good traction now.

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Derik de Bruin

Analyst, BofA Securities, Inc.

Got it. And I asked you this on the call, but I've gotten asked again, so I'm going to ask it to you again. You didn't answer me on the call. But I...

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Bernard J. Birkett

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

[indiscernible] (00:10:37)

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Derik de Bruin

Analyst, BofA Securities, Inc.

It's this question of we've – some companies will say if we spend X dollars on CapEx, you get X return in revenues that can generate. But your mix is different on this one, I guess because it's this is like the – is there a rule of thumb on for – I mean so rule of thumb on how much you spend on CapEx and what the revenue generation can that be?

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Bernard J. Birkett

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

Typically what we're looking at is looking at market demand and seeing as to where do we need to layer in capacity. And there are – even within high value products, there's a variation in the ASP in the margins that we can get. So, we have to kind of look at it on a blended basis. And it's not – we don't communicate that information even from a competitive perspective.

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Derik de Bruin

Analyst, BofA Securities, Inc.

Yeah.

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Bernard J. Birkett

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

That's not something we want to do. But when we're looking at these investments, we have pretty strict criteria within our business when we're analyzing where we should deploy this capital. And then, also, we have to look over the different time horizon. So it's not as if we start investing today and maybe you start generating revenues in 12 months' time. Sometimes we based on what we're seeing is we have the layer-in capacity maybe 12 months, 24 months, 36 months in advance.

So when we're looking out at our next tranche of capital allocation, we're looking out at 2026/2027 because it takes that length of time to put it in place. And the one thing that – when we're doing that is we're not reliant on one customer or one product being successful. So we've got a portfolio that we're essentially investing in.

And really, one of our main metrics is return on invested capital. And I think that's reflected in our numbers over the last couple of years and how that's been improving. So, that's kind of more how we would look at this.

Derik de Bruin

Analyst, BofA Securities, Inc.

Yes.

Q

Bernard J. Birkett

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

And given the space we're in and the time horizon it takes for the investments. But again, it's – from a risk perspective, it's pretty well-managed because we're not – again, not over-reliant on one area...

Derik de Bruin

Analyst, BofA Securities, Inc.

Yeah.

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Bernard J. Birkett

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

...on one event taking place.

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Derik de Bruin

Analyst, BofA Securities, Inc.

So this is a fabulous segue into it – into my next kind of topic. So, look, I think over the last few months, we certainly have had an uptick in interest from, I would say, what historically has been a very specialist stock, right? I mean, you sort of look at it, I've had a lot more interest from generalists and this is all being driven by interest in GLP-1 and obesity and things like that, so.

And I think I've been trying to – the conversation I've been having with people is, well, look, I mean, these have been on the market for a while. They participate in these drugs. It's like they had to start building capacity years ago from when they saw that things were coming on. So how should we think about what's – I'm worried just

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given all the calls that we've had that their expectations of it are very high. And it's going to – and yes, while these drugs are going to be big classes, it's still going to take some time to sort of match that thing like this. So, how should we sort of think about managing expectations for that?

Bernard J. Birkett*Senior Vice President & Chief Financial and Operations Officer, West Pharmaceutical Services, Inc.*

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Yeah. It's hard for us to comment on a specific customer or a specific drug. But I would go back to, if I were to use COVID as an example. So we had the same conversations around the response to COVID and vaccines and what does it mean. And even as we were layering in capacity at that time, people would always gravitate towards the COVID response. What we were communicating was we need these investments for the growth in our business. In any case, now the time horizon may be slightly different. Well, we as a company need to be making those investments because the industry that we're participating in is growing. And particularly, as we talk around biologics, that's where we're seeing a lot of strong growth. And again, it's not just reliant on one customer or one product. That's an issue that I think we had a number of years ago where the kind of it was concentrated on the number of customers and products.

Derik de Bruin*Analyst, BofA Securities, Inc.*

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Yeah.

Bernard J. Birkett*Senior Vice President & Chief Financial and Operations Officer, West Pharmaceutical Services, Inc.*

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And we could get whipsawed pretty quick. And now we're not seeing that because it is broadening and that's what we want to see.

And so we're supporting a number of like multiple customers, multiple products coming to market. Some will be successful. Some won't be successful. And the timing of those successes is very hard for us to predict. So, for us, it's layering in capacity on a phased basis. But the approach that we are taking now and that what we did learn from COVID is within certain parts of our business, we need to layer in capacity headroom, so we're able to flex a little bit more than we have been in the past. So we don't get tied up in these constraints, kind of buys us time to be able to layer in further capacity then. But again, that's just within very specific areas. So say around plungers, like I want to make sure I have headroom there.

Derik de Bruin*Analyst, BofA Securities, Inc.*

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Yeah.

Bernard J. Birkett*Senior Vice President & Chief Financial and Operations Officer, West Pharmaceutical Services, Inc.*

A

And flexibility, so there is a slight response. And so we take that kind of more holistic approach to it, rather than looking at one area, and that's for other people to try and predict the timing and the size of markets. And I'm not trying to be flippant, but I had this conversation with somebody who asked the same question and they have all of this analysis. And I said, okay, how accurate is this? And I didn't get an answer.

Derik de Bruin*Analyst, BofA Securities, Inc.*

Q

Yeah.

Bernard J. Birkett

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

Like, look, it's hard, it's very hard for us to predict. But we kind of use a level of statistical analysis and our understanding of the market and using history to help us understand, okay, what should our business look like, where do we need to make investments and over what time horizon because we don't want to get over our skis either.

Derik de Bruin

Analyst, BofA Securities, Inc.

Right. Well, also, I think it's the – and another question I've asked you, is like, how do you think about the margin mix of what you're putting in there? Because it could be some things are north of a \$1, some things are \$0.30, right? That HPV has got a big range of [ph] situations (00:17:08) and trying to figure out the math because if you start doing units and this and that, you make some assumptions where you get into some ginormous numbers, which I don't think you want out there.

Quintin John Lai

Vice President-Strategy & Investor Relations, West Pharmaceutical Services, Inc.

[indiscernible] (00:17:24) ginormous numbers anyway. It's – I think with some of these things, and the way we look at it, again, we look at our business as a portfolio. So we're taking based on the demand, the information we're getting from a wide range of customers, we're able to model those things out. And then we have various scenarios that could take place.

But for us to try and predict something like that, just wouldn't be wise. I think from a West perspective, we kind of learned our lesson before that if you kind of try and predict something and you're answering questions on it forever. Our view now is to say, okay, let's control what we can control. Put the capacity in place where we believe it's needed. And then let's see how it materializes and when we can give greater clarity on that and more information, we will. But to throw something out there today, I don't think we'll be able to willing to.

Derik de Bruin

Analyst, BofA Securities, Inc.

So, in other words, if we build it, they will come, right. Is that the sort of the hope?

Quintin John Lai

Vice President-Strategy & Investor Relations, West Pharmaceutical Services, Inc.

Well, I think it's more than hope...

Derik de Bruin

Analyst, BofA Securities, Inc.

It's a little bit more than that? Yeah. Yeah.

Quintin John Lai

Vice President-Strategy & Investor Relations, West Pharmaceutical Services, Inc.

[indiscernible] (00:18:34) hope is in the strategy, right?

Derik de Bruin

Analyst, BofA Securities, Inc.

Yeah.

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Quintin John Lai

Vice President-Strategy & Investor Relations, West Pharmaceutical Services, Inc.

Yeah. I mean, to add to it, I mean. Bernard talked about the communication and I think that's really what it comes to. Having that, these candid conversations with our customers, which is why, really we shouldn't be talking about what they're saying to us. But I can tell you that, there are some conversations we have with customers where their forecasts are changing.

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Derik de Bruin

Analyst, BofA Securities, Inc.

Yeah.

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Quintin John Lai

Vice President-Strategy & Investor Relations, West Pharmaceutical Services, Inc.

And so then what we do is, then we re-communicate to them about, okay, here's our capacity expansion plan, and then we match it up. And then if there's a mismatch, then we say, okay. Can we accelerate more phases in? And can we do this, can we do that.

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Derik de Bruin

Analyst, BofA Securities, Inc.

Got it.

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Quintin John Lai

Vice President-Strategy & Investor Relations, West Pharmaceutical Services, Inc.

Or if there's a change on the other side, can we tap the brakes on our capacity expansion? Again, we're trying to balance it so that we have that uplift capacity. But we're not to the point where it's so much that it's just stranded and....

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Derik de Bruin

Analyst, BofA Securities, Inc.

Yeah. Got it.

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Quintin John Lai

Vice President-Strategy & Investor Relations, West Pharmaceutical Services, Inc.

...causes an anchor on us.

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Derik de Bruin

Analyst, BofA Securities, Inc.

Right.

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Bernard J. Birkett

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

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And I think if you look back over the last two or three years, how we as a company responded to COVID. So you have like drugs or vaccines coming to market faster than they ever have before. The demand like outpaced anything we have seen in such a short space of time. And we as a company were able to respond to that. So if future opportunities materialize like that, we have the ability to respond. We've done it. I think what we're doing now is probably putting a little bit more kind of protection in place for ourselves to give ourselves more flexibility if it happens. So we have a greater time to respond. And I think from our perspective, that's all we can do.

Derik de Bruin

Analyst, BofA Securities, Inc.

Q

Great. I'll leave this. You've been taking a little bit more pricing than historical. I mean, are you – is that say a little bit more inflationary or value assumptions or just a little bit how are you doing? How are you sort of looking at the pricing dynamic?

Bernard J. Birkett

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

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Yeah.

Derik de Bruin

Analyst, BofA Securities, Inc.

Q

Historically, you've hesitated from doing a lot of the big price raises, just given some of the...

Bernard J. Birkett

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

A

Yeah. I think we've gone back and we've looked at our pricing methodologies and strategies. And so there was some room for improvement there and we saw that our pricing could step up. We saw that in 2022, where we were getting about 3% to 4% compared to previous year's 1% to 2%. In this year – for this year, we're a little bit north of that, but that is – a lot of it is around covering inflationary costs. And when we went to customers with the proposal for 2023, that was part of the base to say just like everybody else, we were experiencing this up take in cost. We have to pass some of it through. So I wouldn't take this year and kind of roll it in for future years as a given. Again, we're not going to guide on 2024 pricing. It's just something that we have to review internally, but there is the opportunity to take more price than we have been doing in the past.

Derik de Bruin

Analyst, BofA Securities, Inc.

Q

Got it. Any questions from the audience? Yeah. So are you comfortable with the – I mean, you're guiding to like 100 basis points above margin expansion annually. Are you – is that a target? I mean, do you feel like it should go higher than that just simply given some of the dynamics in here but that's still the – that still is – you're very comfortable with that as sort of a combination mix in supply and growth?

Bernard J. Birkett

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

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Yeah. We're not changing our long term construct at this point. What we do say is we're doing 100 basis points. If we can do more than that in a particular year, yeah, we'll do it. And I think over the last number of years, we were in the position to be able to do that. And it's 100 basis points on 100 basis points on 100 basis points. So it doesn't get any easier as we progress. What the – I think the thing for us is that the drivers of that 100 basis points are pretty consistent and we have a number of them.

So you've got mix, you've got leveraging our network. We really manage our P&L really tightly. So our confidence level around doing that 100 basis points, it's supported by that. And so we continue to strive to try and do better but the 100 basis points is what we're saying today.

Derik de Bruin*Analyst, BofA Securities, Inc.*

Q

You have a net cash position and it's growing fast. How are you thinking about capital deployment, I mean, to reinvest in the business or buybacks? I mean you have not historically been an acquisitive company.

Bernard J. Birkett*Senior Vice President & Chief Financial and Operations Officer, West Pharmaceutical Services, Inc.*

A

Yeah. We've done – we have stepped up our CapEx over the last number of years. So reinvesting back into our business and like those investments are on into demand that we see and it's – from a risk perspective, that's ideal for us. That's what we want to be investing. Obviously, on the buyback, we announced \$1 billion buyback earlier this year. So that's in recognition that we are carrying that cash and it allows us to be able to give some of them back to shareholders.

And then from an M&A perspective, there – we – M&A is becoming more relevant for us in certain areas, probably more on the delivery side, we're seeing a lot of uptake around our wearable devices and looking at that space. And there's nothing specific that we could call out today. But there are – that is an area that we're going to spend more time looking at. But again, our main focus is really delivering on the organic growth story and we don't want to do anything to derail that.

Derik de Bruin*Analyst, BofA Securities, Inc.*

Q

Why have wearables taken so long? I mean, that was part of the growth story [indiscernible] (00:25:07), up the stock in 2007 and it never really took off as [indiscernible] (00:25:13) ...

Bernard J. Birkett*Senior Vice President & Chief Financial and Operations Officer, West Pharmaceutical Services, Inc.*

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My perspective and Quintin can chime in, it seemed to be – it is a very disruptive technology. And it was early on and I think that's what we learned as a company, probably to be a little bit more cautious about how we talk about these things, particularly new technologies like that coming to market and trying to anticipate the timing and the uptick, but what we have seen, particularly over the last 12 to 24 months, the level of interest in those devices, in that technology has increased a lot. And I think it's just probably supported by what's going on in the market, in the hospital to home care, what patients are looking for. So the interest is ticking up. But, again, it's going to take time. I think it will be a slow build.

Quintin John Lai*Vice President-Strategy & Investor Relations, West Pharmaceutical Services, Inc.*

A

Yeah. I think that if you look at some of the early experience we had with wearables, when there were a new drug where you had a selection of modalities, whether they be prefilled syringe, auto-injector, or a wearable, it was new. And so people would gravitate toward the one – the formats more common. But then as they started to see the benefits of fewer injections, not having to go to the clinic in the case of an IV to subcu, those opportunities are starting to become more and more apparent.

And then you then add on to the fact that I think through the pandemic, telemedicine, again, even further push away towards getting patients to be able to do more self-care as opposed to going and seeing their health care practitioner or having to go to a clinic. I think that's going to be a trend that we're going to continue to see, and that's why there's an increased interest.

Derik de Bruin*Analyst, BofA Securities, Inc.*

Q

Got it. And thinking along the sort of like technology development, I mean, you're starting to move more into combinations and basically full system. You've got the courting relationship and that seems to be moving forward. How do you sort of see that evolving? And just sort of a need for those like complete system versus your component business?

Quintin John Lai*Vice President-Strategy & Investor Relations, West Pharmaceutical Services, Inc.*

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Yeah. I think that that you first couple with where we sit today, and customers that are developing their injectable drugs, they have to go and they have to select various components and their specific drug master files. And so they have to do all the juggling. There is a benefit for having a single system, single Drug Master Files. It adds simplicity. It adds speed to their decision making process. And we also believe that by doing so, we actually can bring a new level of quality that doesn't exist today.

So today as opposed to buying glass, buying elastomer and they're really good glass, really good elastomer, but they really weren't designed specifically to be hand in glove with each other. The fact that we can then start developing these systems, we think that there's a benefit to that. And if you look at the regulatory trends that are going out there now, the bar continues to get risen higher and higher because the regulators are expecting to see improved reliability, improved quality.

So I think that you put all those trends together. The feedback has been very positive. It's going to take time because we're going to have to go and develop, validate, get everyone accustomed to that. But we do believe it will be a long term trend [indiscernible] (00:29:22).

Derik de Bruin*Analyst, BofA Securities, Inc.*

Q

Yeah. Question?

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Thanks. Just real quick, going back to the CapEx comment in terms of the best thing to sustain future demand. Anything you can say in terms of your CapEx this year and in prior years. How much goes to sort of maintenance versus expanding capacity because if you look at the – just with dollar amount as a percent of revenues ticked up nicely the last couple of years. Just wondering. If you could break that down a little bit. And also how long until that capacity comes online and is ready to contribute?

Bernard J. Birkett*Senior Vice President & Chief Financial and Operations Officer, West Pharmaceutical Services, Inc.*

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So where – to answer your last question first. We're layering in capacity, as we speak. So it's not just a one and done. It's continuous. And I think it's – I think I said earlier, prior to COVID about 50% of our CapEx was

maintenance, 50% was kind of growth. And now what we're seeing is about 70% of the CapEx is growth focused and the vast majority of that is – all of it essentially is around high value products and putting the infrastructure in place to support that growth. And what we have been seeing is that as soon as we put the equipment in place or the additional footprint that's needed, and once it's validated, that equipment is up and running, pretty quick.

Derik de Bruin

Analyst, BofA Securities, Inc.

And with that, we're out of time. Thank you, gentlemen. Thank you, everybody.

Bernard J. Birkett

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

Thank you.

Derik de Bruin

Analyst, BofA Securities, Inc.

Everybody, thank you for joining the conference.

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