

West Pharmaceutical Services Inc. - VP Global Sales - Injectables Division for Aptar Group

Interview conducted on January 26, 2024

Topics

Stopper Market, Pharmaceutical Industry, Medical Device Industry, Competitive Landscape, Injectables, Pricing Strategies, GLP-1 Products, Product Portfolio

Summary

The Tegos Client speaks with the VP Global Sales - Injectables Division for Aptar Group about trends in the stopper market and its relation to GLP-one products. They discuss the competitive landscape for stoppers and GLP-one products, noting that GLP-one drugs do not require expensive packaging and can use basic stoppers. The conversation also covers the division of orders among suppliers, the industry's equilibrium after stock building during the pandemic, and the high demand for bulk vials. They discuss West as a competitor and the ideal candidates for a product like NovaPure. The conversation also touches on West's volume mix, gross margin, and the percentage of raw materials in COGS. They discuss variable costs, gross margins, pricing, cost inflation, and annual price increases in the industry. The conversation concludes with a discussion on changing preferences in the pharmaceutical industry regarding biosimilars and the potential opportunities in the market.

Expert Details

Expert is the current VP Global Sales - Injectables Division for Aptar Group.

Previously, expert was the Head Of Product Management (Global) for Stevanato Group, leaving in August 2020. The expert was head of product management for 5.5 years. It was a global role with a team of 8, and the expert was based in HQ in Italy. Within the team of 8 people, each was assigned to a different product family (vials, cartridges, syringes, plastics, machinery, vision equipment, special projects, services). The expert was solely leading this group of product managers. They were responsible for the life cycle management of each product category.

Tegos Client

Thank you for taking the time to speak with me today about some of the trends in the stopper market and how that relates to GLP-one. To start off, could you please give us a quick overview of your background and experience in this space?

VP Global Sales - Injectables Division for Aptar Group

Sure. So right now, I work for a company called Aptar. So Aptar supplies rubber elastomers to the medical device industry, competing with West Pharma and Datwyler. So our customers, of course, include customers that will be supplying the GLP-one type products. I've been working here for four years now as the Vice President of Global Sales. So I'm responsible for all the sales for this division globally.

Before that, I worked for Stevanato Group Ompi, Stevanato Group for six years. And I was responsible for marketing, product management, commercial development, various roles. And of course, Stevanato Group supply cartridges, syringes, vials into the industry, including GLP-one.

Tegos Client

Right. They're more on the glass side of things.

VP Global Sales - Injectables Division for Aptar Group

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Yes. And before that, I was with Becton Dickinson, BD, for 8.5 years, again, different roles, sales, U.S. sales and European sales. And of course, BD is #1 supplier of syringes in the world.

Tegus Client

Yes. They're going to kind of dominate prefilled syringes.

VP Global Sales - Injectables Division for Aptar Group

Right.

Tegus Client

Was that your focus at BD? Or was it broader than that?

VP Global Sales - Injectables Division for Aptar Group

I was just working for that division called Pharmaceutical Systems, which focuses on syringe. Of course, they sold the auto-injectors pen in the same division, but in 90% of the sales were kind of probably linked to prefilled syringes, glass syringes.

Tegus Client

Is that the division that also makes pen needles?

VP Global Sales - Injectables Division for Aptar Group

No. The pen needles is a separate division. The division I worked for is just for prefillable syringes, safety devices, auto-injectors, pens, so drug delivery device, but not the needles.

Tegus Client

Got it. And at Aptar, you're just focused on elastomers because I know they do a bunch of stuff on the kind of the packaging side. Are you just doing elastomers?

VP Global Sales - Injectables Division for Aptar Group

Yes, just elastomers. I don't do the nasal products or inhalation products, skin care and food.

Tegus Client

Got it. Do you think we can just start with kind of the competitive landscape for the stoppers and the GLP-one products that are out in the market right now, so basically, the Novo and Lilly offerings? I'm just curious about, given it has the potential of such a large product how they think about creating redundancy in the supply chain, who if anyone has favored for those reasons and then also just obviously, all the companies?

My understanding is they have a range of products out there from obviously, the very basic ones, which I assume aren't in here to obviously the most sterilized and embedded products, which are the most expensive. Just what seems to be the most attractive for the innovators in this market? Is it the really high-end stuff? Not because of cost, but just any thoughts on that?

VP Global Sales - Injectables Division for Aptar Group

Yes. So the GLP-one drugs are actually not very vicious in terms of they don't have strong solvents, they don't require very expensive packaging. It's not like a monoclonal antibody. It's just a peptide basically.

So it's not aggressive against the packaging. So you don't need a fancy coated syringe or a fancy coated rubber, plunger or stopper for GLP-one drugs because they are fairly simple peptides, large molecule, yes, but peptides, not complicated. So it doesn't need anything.

Tegus Client

Does that lead them to a very basic product? I mean, my understanding, roughly speaking is that they're very basic stopper, as you know, we're talking since. And then moving all the way up to the most expensive

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stoppers are approaching \$1, and then you have kind of stuff in the middle. And on that continuum, it sounds like that might not at the high end, but is it more in the middle or towards the end of the lower end?

VP Global Sales - Injectables Division for Aptar Group

I'd say it's even towards the lower end. And the reason I say that, just listen to one component at a time, if you think about the plunger, which is the plunger that goes into a cartridge or at the end of a syringe, the GLP-one suppliers are Novo and Lilly. And those are two of the three main insulin suppliers in the world as well, which happens to use the same plunger.

Tegus Client

When you say plunger, you mean like the plastic. Is that right?

VP Global Sales - Injectables Division for Aptar Group

The plunger is the rubber elastomer.

Tegus Client

I would call it a stopper. Is that the incorrect term to use?

VP Global Sales - Injectables Division for Aptar Group

So most people, when they say stopper, they refer to the vial stopper. And the plunger because it plunges down the syringe or plunges down the cartridge, so we call it a plunger.

Tegus Client

Yes. They're using kind of the same plungers as they would on their diabetes insulin pens.

VP Global Sales - Injectables Division for Aptar Group

Yes. It's on the lower end. On that spectrum you gave, the range of the is on the lower end because those same companies use these plungers for insulin and peptide on very aggressive. So for those two reasons, I would say, they will stick to their current supply chain. It doesn't make sense to add.

And this is one of the reasons, when you listen to the earnings call of West, and et cetera, they find it very, very difficult to pull out what is true GLP-one. If you listen to the last earnings call of West, going forward, we will not separate out and tell you what is our GLP-one sales or even our COVID sales because they don't know. They cannot tell exactly which plunger is going into a cartridge for insulin, the same plunger could be used for the GLP-one cartridge.

Tegus Client

Right. And so your point is they can't tell that would imply that it's the same product that they were using for the insulin pen, which is kind of just like more of a basic plunger.

VP Global Sales - Injectables Division for Aptar Group

Not complicated at all, yes. Not coated or anything.

Tegus Client

Got it. What about the other just in terms of like building redundancy into the supply chains given the demand that they might see for these products.

VP Global Sales - Injectables Division for Aptar Group

What do you mean the redundancies?

Tegus Client

Does that mean like is this one where you're likely to see multiple suppliers for the plunger? Is it like

everyone is validated and then they just see who has capacity? Is there a primary and then secondary and tertiary? How are they thinking about it just given it's like big products.

VP Global Sales - Injectables Division for Aptar Group

It varies. So usually at launch, of course they have to have one. Most of the times, they have two available at launch. But as the molecule grows and you see big, big numbers, they normally have a third one validated as well. So given the current situation and the huge spike in demand, it would be normal for them to validate a third supplier on top of the two they already have.

That will be a normal practice, again, just for risk mitigation because there's so much value to grab and there's so much sales being lost because of restrictions in the supply chain, not at the moment for elastomers or primary packaging, for other reasons. But they don't want this to become a factor at any point.

Tegus Client

And then along those lines, how do the orders get divided? Is there three that are qualified for this? Is there a primary? Or is it kind of up for grabs at all times?

VP Global Sales - Injectables Division for Aptar Group

It varies a lot. So most of the suppliers will want some kind of supply agreement to say, "Look, you have to give us 50% of your sales. You have to give us a minimum volume." So this is what we would do as suppliers to try and lock in the customer. They will, of course, push back into this. So in the end, there's not one set formula that everybody uses all the time. So there are a number of different things that happens.

So one of the things is that they might have fixed volume. So they might say, for example, I might give \$200 million to West, \$200 million to Datwyler and \$200 million to Aptar, but your demand, let's say, is \$800 million. So then you have the flexibility of the remaining \$200 million. So then you could say, "Okay, look, whoever give me the best price or give me a better price next year, they'll negotiate with the remaining \$200 million."

They'll give something to everybody every year, just to keep them validated. So everybody gets something. I don't think anybody usually gets less than 20%. Just otherwise, you wouldn't be happy at all. So again, I don't have the exact numbers, but it would not be surprising with 40, 40, 20. It would not surprise me if that was the usual split.

Tegus Client

Got it. And I know West obviously had their share of the overall market is higher than 40%. Are they exactly because they get single sourced on some products where you don't have three, you have two and then it's like 80-20 or something like that?

VP Global Sales - Injectables Division for Aptar Group

Exactly, especially with a lot of the cheaper molecules out there. They've been validated a long, long time ago, and it's all worth the cost of validating another source and then redoing the filing to the FDA and the FDA asking questions. So historically, they've been on a very cheap molecule for a long time. It's cheaper just to keep West.

Tegus Client

Interesting. And then how do the players think if the innovators think about safety stock at this point? Do they feel like they need to keep them for this part of the packaging or not really?

VP Global Sales - Injectables Division for Aptar Group

Yes, they do. They keep between six to 12 months of safety stock.

Tegus Client

And is that how it's always been? Or was there anything, like COVID increase that's now being worked out of

the system?

VP Global Sales - Injectables Division for Aptar Group

Yes. I think we've been through that peak and trough already, my feeling. There was definitely a lot of stock building just around COVID time, 2020, '21 for stock building. Yes, '22, '23, were stock depleting years. So I think apart from bulk vials, I think the rest of the industry has reached the equilibrium now.

Tegus Client

When you say bulk vials, do you mean something like Gerresheimer?

VP Global Sales - Injectables Division for Aptar Group

Right. So bulk the two are vials. All the vials that we use for COVID, in the end, not used for COVID because the vaccinations died kind of thing. And because they have a five-year shelf life, a lot of people are putting a lot of orders for those vials. And a lot of companies have a lot of stock still of those bulk vials, which have a long shelf life. So yes, so apart from that market, we've got extra capacity and a lot of stock in the pharma companies. All the other, I would say, components and packaging has worked through the system now, and you're back to normal.

Tegus Client

Got it. So normal in that six to 12 months.

VP Global Sales - Injectables Division for Aptar Group

Yes. I think six months is normal, yes. But I think the GLP-one, they are more risk adverse, so they might be heading more towards 12.

Tegus Client

Yes. What about just as a competitor to West, how do you think of their product offering and lineup? Is it good? Are there any weak points? Are there any products that don't really make sense? How do you see it?

VP Global Sales - Injectables Division for Aptar Group

I think it's comprehensive, obviously, by far. It's the most comprehensive range. They've got everything basically. I think they're going to be facing pressure regarding what they call the high-value products, high-value solutions because.

Tegus Client

That's like the NovaPure.

VP Global Sales - Injectables Division for Aptar Group

Exactly, the NovaPure, et cetera, because I think maybe five years ago, 10 years ago, customers were more risk averse, less price sensitive. So they bought into NovaPure story. Now I'm finding customers are much, much more price sensitive, more wary, and they don't want overengineered solutions. And GLP-one is a perfect example. They would have loved to have given NovaPure for GLP-one.

It would have been amazing for their numbers, I'm sure. They only have FluroTec, but in the end, they I imagine, they didn't get either. So in the past, I think people say, "I don't want to risk it. I'll pay you \$1 a stopper for the NovaPure because my drug is \$1,000." But now even \$1,000 drug, the procurement is incentivized to get the lowest possible priced stopper that does the job. Why pay \$1 if I have a \$0.10 stopper would do?

Tegus Client

Right. And something like FluroTec is, again, for that relative scale is like a \$0.50 stopper or something like that.

VP Global Sales - Injectables Division for Aptar Group

Yes. Maybe slightly more depending if you have presterilized, if you have a fancy packaging, that they could be a bit more because, quite often, the packaging actually costs more than that your stopper itself. You can put it into a special bag, what we call a transfer port bag, and then you sterilize it. All those extra steps add more value.

Tegus Client

Interesting. So what is the ideal candidate for something like a NovaPure then?

VP Global Sales - Injectables Division for Aptar Group

So a few things. First of all, it would be a very, very aggressive drugs, so biologics or drugs that are very, very sensitive to impurity. So that will be a kind of different NovaPure. Other one would be, if you think about a NovaPure plunger, if it's a very, very low fill volume, so something goes in the eye injections for some ophthalmic injection, which can be expensive. That could be a potential target for NovaPure.

And then as we get into some more gene therapies, you don't want to take any risk, of course, because, sometimes, you only get one chance, one dose, that's it. So then it's going to be tens of thousands of dollars a dose. So maybe at that market, it's going to be very low volume, of course, but there is no price sensitivity at all. So there, that could be a potential market for gene therapy, for example, cell and gene therapy.

Tegus Client

Got it. How do you think they are like on a volume basis, their product mix is between kind of the low, medium to high end?

VP Global Sales - Injectables Division for Aptar Group

The volume mix, so volume, I would say, is probably around 60% of the really low value stuff. I'm guessing around 30% of the, what they call, high value, but I would say good value like the FluroTec kind of level and 10% in terms of volume.

Tegus Client

Yes. That will really skew it towards the NovaPure.

VP Global Sales - Injectables Division for Aptar Group

Yes, I think they're publicly there when they put the announcement. I think it's 70% or 78% last time I checked, what they call high-value solutions in terms of value.

Tegus Client

Yes. Are there any gaps in their portfolio or not really?

VP Global Sales - Injectables Division for Aptar Group

At the moment, no. Now others are trying to catch up to offer that full range. I imagine, they might streamline their portfolio, but it might be too much. There might be some really legacy stuff that's really old, that they might just pull out of because it's just not high-value stuff, not worth it. But I don't think there's any gaps.

Tegus Client

Got it. So incremental margin, if I just want to think about that on a highly generalized basis, does it matter whether it's a low-end, medium or high-end product in terms of the incremental margins that they offer?

VP Global Sales - Injectables Division for Aptar Group

Incremental margin, do you mean how much margin they make on each of the different products? Is that what you mean?

Tegus Client

Yes. Obviously, it will be different because the price points are different, but the contribution on that incremental dollar from each of those product offerings, is if you have an incremental dollar for West, let's say, the low end versus FluroTec versus NovaPure, does the same amount of that incremental dollar fall to the contribution line? Or does it vary based upon the product?

VP Global Sales - Injectables Division for Aptar Group

I don't have a full answer, but I think it would vary a lot because for example, you just talked about the rubber piece here, but there's so much other stuff that goes around it. In terms of pricing, it's very complex. You're not just buying the rubber. There's many different combinations of just outer packaging. It's a simple plastic bag or a tight lid bag or a port bag, that's a very big variable.

And then whether it's sterilized or not sterilized, the level of siliconization, the controlled siliconization on the rubber, yes, there's so many other variables that this is very hard to say. I mean, whether it's vision inspected or not vision inspected, for example, the more layers of premiumization you could put in, the better the margin.

Tegus Client

Yes. Maybe asking it another way then, what would be your guess for an incremental contribution margin from each of those product offering areas for West? There could be a lot of variability based upon what exact features were selected.

VP Global Sales - Injectables Division for Aptar Group

Right. I would imagine, to the gross margin I would have in mind, I would imagine they're making a 40%, 50% gross margin, and EBITDA will be in the 20s and approaching 30 for the really high-value stuff. This is kind of the range I have in mind.

Tegus Client

Yes. I want to talk a little bit more about it. I'm just looking at their numbers right now. So their aggregate gross margin is high 30s and their aggregate EBITDA margin is high 20s. So I guess I would have thought the contribution margin could a little bit higher than that because that 38% gross margin has all the depreciation for the factories which for one incremental unit, there's no cost there, obviously, and the labor that's already working.

So I mean, you really just have whatever your input costs are. And right, if you already have got a contract with the pharmaceutical company, it just seems to me, there shouldn't be really any incremental cost other than whatever the raw material components were. And I guess, the raw material components also depend a little bit upon what level is chosen, whether what they got configuring of the bags are or the packaging. But I would assume that most of it is just going to be raw materials. Is that a reasonable assumption?

VP Global Sales - Injectables Division for Aptar Group

Yes. That's a reasonable assumption. And raw materials aren't necessarily always cheap. If you look at this transfer port bags, for example, they're not necessarily very, very cheap. So they can basically be a very high portion of the cost, yes. But I take your point, the incremental margin, you could expect to be high.

Tegus Client

Is there a way to just ballpark estimate, that would be of the overall gross margin is, I'd just call it 40% for ease of numbers. That 60% of COGS, what percent would raw materials be of that?

VP Global Sales - Injectables Division for Aptar Group

Raw materials as in how much percent of COGS would be raw materials?

Tegus Client

Right. So we're saying there's no SG&A component to the incremental plunger you sell. But obviously, you

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have to produce it. So I'm going to say, again for simplicity, there's no even incremental labor or anything like that or incremental PP&E. It's just you just need to buy more rubber and use more energy to convert it into a plunger or a stopper. So what would be those components of it rather than, let's say, more like the fixed cost?

VP Global Sales - Injectables Division for Aptar Group

So not sure. I'm not on financing. But if you're trying to ask me, if you sell more stoppers, then the more stoppers you sell, you should get better margin. Is that what you're saying?

Tegus Client

Yes. Or my hypothesis is that the only incremental cost with that incremental plunger is the raw material cost.

VP Global Sales - Injectables Division for Aptar Group

The fixed cost.

Tegus Client

Well, but your fixed cost should be fixed. So again, assuming your fixed costs are the cost of your factory your production facilities and your labor. And so, again, this is an extreme example, but if you run literally one more plunger through that, I'd imagine that's basically zero.

You don't need any more equipment. You don't need any more labor. But you do need incremental rubber to make that. You do need incremental energy, perhaps to do that. So I was if overall costs there are 60% of sales, of that 60% that's overall cost of goods, what percent of that is raw material that would be variable with the amount of stuff you're producing?

VP Global Sales - Injectables Division for Aptar Group

So I would say in terms of the vehicle, if it's 60%, I'll say probably about 20%. So maybe 1/3.

Tegus Client

Got it. So yes so simplistically, right now obviously, it's probably, in reality, there are step functions around costs. But if you literally just had one incremental plunger, you might imagine an 80% gross margin on that plunger.

VP Global Sales - Injectables Division for Aptar Group

Yes. And I follow you.

Tegus Client

Yes. It's more like a ballpark. I would have thought it's greater than 40%, but whether that's 50% to 60%, 70%, 80%, 90%, 95%, yes, that's more what I was getting at. And I mean, obviously, whether you're selling a \$1 plunger or a \$0.10 plunger is very important for your dollar contribution, but does that 80% incremental gross margin, does that vary based upon if you're selling a \$0.10 stopper or a \$1 stopper?

VP Global Sales - Injectables Division for Aptar Group

Good question. I imagine for the \$1 stopper, it would be better.

Tegus Client

Yes. And a little bit worse for the other ones.

VP Global Sales - Injectables Division for Aptar Group

Exactly, for the \$0.10.

Tegus Client

So maybe, it's like 95%. I mean, don't know. I'm just going to put your numbers up and feel free to push back or disagree. So if you had a NovaPure at \$1 and let's say that was \$0.95, you have \$0.05 of rubber costs, you have a 95% incremental gross margin, if your raw material cost was probably lower for your lowest end one, but maybe instead of \$0.05, it's \$0.03 or \$0.04, so maybe you have a 65% or 70% incremental margin, rather than the 95% incremental margin you get with the NovaPure. If it was the same cost, it'd be 50%. But the raw materials are probably a little bit cheaper for the lower end point.

VP Global Sales - Injectables Division for Aptar Group

Exactly, the non-NovaPure, just pure rubber. With NovaPure, you have the coating, technology. And the FluroTec, you'd have to buy the fluoropolymer, the film coating.

Tegus Client

Right. Maybe my numbers are wrong. Maybe it's 90% for NovaPure and 70% for the lower end one. Obviously, we're not saying that. But on aggregate, it's 20% of sales go to raw materials, so it seems like probably 60% to 70% is for the lower end and 85% to 95% for the upper end.

VP Global Sales - Injectables Division for Aptar Group

Yes.

Tegus Client

Yes. This is my speculation, so feel free to comment on that.

VP Global Sales - Injectables Division for Aptar Group

I don't know the exact numbers, of course, what would be for what. But directionally, it sounds right.

Tegus Client

Right. One question I had was on the combination of the pricing and cost inflation. How is that handled in the contracts generally? Is it like a set CPI? Does it vary based upon an index? Is it just revisited every year?

VP Global Sales - Injectables Division for Aptar Group

Sure. So it varies a lot, I would say. I'll give you different examples. So some contracts, it will be linked to a PPI. So there will be a PPI management with a reference number. And if the PPI change by more than, let's say, 10%, that would trigger a price increase.

So either it will be already determined in the contract that if the PPI changes by 11%, you get x percentage price increase or the contract will say if the PPI changes by more than 10%, plus, minus, it would trigger a conversation, and you can pay same. Or partners will have the right to change the price. That's when you have the PPI mentioned.

Another option is to have what's called a hardship clause. So if you can't get your PPI index through, then you put in a hardship clause. And the hardship clause in basically says, look, if a supplier suffers something that's been beyond its control, it's not quite a forced measure, it's something like in the middle. So for example, uncontrollable inflation.

Tegus Client

Did people rely on these during the inflation spike in 2022?

VP Global Sales - Injectables Division for Aptar Group

Absolutely. And they weren't there before. But with the inflation spike now, everybody wants these in. The top management wants these in to protect themselves. But during the inflation spike, there was a lot of good faith, our customers understood the situation.

And we did not have any trouble, let's say, breaking contracts, even with fixed prices and saying, "Hey, look,

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as an exception, we just take an 8% or 10% price increase. Or we did what's called a surcharge. So just while we have the inflation phase, we're going to give you a surcharge of 5%, 6%, 7%.

That was very popular in the U.S., and then customers did not push back at all. Even if you went to a restaurant, you got a surcharge, Uber gave you a surcharge. So there's a culture of surcharge, and we were able to get it on the back of that, and a lot of customers took surcharges back in the inflation year of '22.

Tegus Client

So they're either a fixed fee or they are tied to some index with some band for variability that you have to pass. And when the inflations happened, the industry was able to kind of pass that along. And as a result of that, the move now has been to include more of these hardship clauses to just quantify kind of what happened to prevent in the event that your customer didn't want to do that next time they would now you're required to take that.

VP Global Sales - Injectables Division for Aptar Group

Yes. You got it.

Tegus Client

Got it. And it's like, absent the mix shift, I would have thought pricing goes up a couple of percentage points every year. Kind of absent all that stuff, is that reasonable?

VP Global Sales - Injectables Division for Aptar Group

I think the culture in the industry is around 3% to 5% price increase every year. So every year, when I do my budget, I would probably put it back on a range roughly every single year. And then some customers, you do 2%. Some customers, you can do 7%. It does vary. There's some different amounts of elasticity. But yes, usually, it's quite normal in our industry, every year you get some kind of increase.

Tegus Client

And is that above and beyond inflation? Or does that include normal inflation?

VP Global Sales - Injectables Division for Aptar Group

Exactly. In the past, we didn't even talk about inflation. It was just like, we know we have inflation, so you have the salary inflation, for example. So you give 2%, 3%, 4%, 5%. You don't even talk about it. You don't think it's inflation. But now, of course, people do follow inflation. And we don't directly link it, but we do say, "You know the inflation happens." And right now, for example, there's no raw material inflation, but there is salary inflation.

Tegus Client

Got it. And maybe just a general, in your industry on the elastomer side, what are people most excited about? Is it GLP-one? Is it other states of some of these cell and gene therapies that are maybe a few years away? Is it some of that blockbuster earlier biologics continuing to get biosimilar adoption, which maybe spurs volume? What are people most excited about?

VP Global Sales - Injectables Division for Aptar Group

It's more the last, so it's more of the biosimilars. The more the market fragments, the better for us. So that's definitely what gets us excited, all the biosimilars that are going to launch, all the different supply chain that's going to be required, all the inventory that's going to be required, the WIP, that's where we make money. And we can charge higher margin when the market fragments. So that's a key driver.

Tegus Client

Can you just explain that point about why as the generic manufacturers enter, why that is actually good for your pricing? I get with volume, but why does it matter for pricing?

VP Global Sales - Injectables Division for Aptar Group

Let me give you an example. Let's take HUMIRA. HUMIRA is a big blockbuster. There's like 20 different companies all working on generics, biosimilars. And they all think they're going to be first to market, and they all think they're going to get 20%, 30% of market share.

So all those people built up huge stocks, waiting for approval. So you've sold a huge number. So not all of them are going to get 20%. It's impossible for 20 suppliers to all get 20%. There's a huge money you've already sold, plus you've got a much better price because they're not buying the same volume as AbbVie did when they bought HUMIRA.

Tegus Client

Right. When they were 100% of the market.

VP Global Sales - Injectables Division for Aptar Group

Exactly. So then you have all that, and then they sell, then they didn't want to miss out, so they'll buy more to build up stock. And so as all that happens, you benefit. And of course, some of them then die. Some of them, they won't make it, but they've already bought your stoppers. So that helps. And then you can.

Tegus Client

And they will choose whatever stopper or plunger the innovator chose.

VP Global Sales - Injectables Division for Aptar Group

I think, in the past, that used to be the case. They said, "Look, make it as close as possible to the originator." But that seems to be less of an issue now. In the past, they were like, "Give me the same device, the same syringe." When I was at BD, that was a conversation we would be having, make it as close as possible. But now people are saying, "I want to differentiate."

If you look at HUMIRA, all the different auto-injectors and pens, each one's different. Whereas in the past, we would have said the biosimilar wants it to look and feel the same, so the patient doesn't know the difference. Now they're like, "Actually, no, I want the patient to prefer the biosimilars to make it easier." So people are more open to not just copy paste the originator.

Tegus Client

I see. And then I get from maybe some of the other form factors, but even from the plunger, that would apply.

VP Global Sales - Injectables Division for Aptar Group

Exactly. The plunger, for example, the plunger that might be the originator may not be the smoothest, may not be the best or fantastic. If the originator takes 12 seconds to the injection, your biosimilar only takes six, and that's your value proposition. You might need a better plunger with better properties to do its job. That gets us excited. The cell and gene therapy does not get as excited because it's going to be very low volume, yes. So it's going to be very expensive. The pharma companies are very excited, but it's not going to be huge.

Tegus Client

But your industry, I'm thinking, some of them might be \$1 million or \$2 million a dose, you wouldn't get \$100 for your plunger on that.

VP Global Sales - Injectables Division for Aptar Group

That's the point. We won't be able to extract huge value out of that, they are not going to fall for it.

Tegus Client

Right. And then you said the second was the GLP-1s, even though it's a lower complexity product than some

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of the other, like the mabs that are going biosimilar.

VP Global Sales - Injectables Division for Aptar Group

Exactly. Their volumes are so big, it's a game changer for us. And maybe insulin will go down, so we want to make sure we cover that as well, yes. So yes, that gets us excited. And it's an open game. There's obviously Novo, there's Lilly. But then there's other companies. Boehringer Ingelheim is coming up. Amgen is coming up. So there's lots of people working on GLP-1s. There's dozens working on GLP-1s that are going to enter the market.

Then there's going to be a combination of GLP-1s with other things, which some people are already working on. If you look at Novo Nordisk, in their pipeline, they're combining semaglutide with other drugs. So it's public information on their pipeline, IcoSema, CagriSema. So all semaglutide and combination drugs, so they're all going to come out. So yes, that's what everyone's working on at the moment. So, GLP-one, even though I agree it's not the highest value, it's not NovaPure or FluroTec but it's still a nice, interesting volume.

Tegus Client

Yes. I think most people think the Amgen product will work. I mean, obviously, it's still a ways away from the market. But I think people are pretty optimistic that, that will be successful. And then it looks like at least so far, they haven't had a great oral.

VP Global Sales - Injectables Division for Aptar Group

We don't worry at all about the orals. The orals the efficacy is very poor. You have a very high dose. To put it to work, you need to take.

Tegus Client

Yes. And then you get the side effects.

VP Global Sales - Injectables Division for Aptar Group

Yes. Then you get the side effects. Because you get all the side effects if you take it in the summer. So you don't get the benefits because your liver wipes out most of the active ingredients. So when you inject it, you bypass the liver, which is why GLP-1s are better injected than orally.

Plus, orally, you've got to remember to take the tablet, and obese people tend to forget. So obviously, the tablet doesn't work. So we think the orals may be kind of a gateway drug to people who don't want to start on injectables because they can't afford it, they start on the orals.

And the other thing, which I believe, first, is that there might be some maintain your weight kind of with orals because we've seen some early data saying that when you stop using GLP-1s, your weight starts to bounce back. Up to 40% of your weight comes back. So then you might be motivated to take the orals because you want to stay fitting into your nice clothes. You don't want to be putting all the weight back on. And we don't see any cannibalization as such. We just don't see it as a kind of additive to the injectables.

Tegus Client

I've never used one. I've been told the pens are just super easy to use and very, very painless. So that seems like a pretty powerful offering. If it's once a week or maybe once a month with Amgen, most I know would want an oral to replace it.

VP Global Sales - Injectables Division for Aptar Group

Yes. It's pretty amazing. Once a week, and you don't have to worry about it again for the rest of the week. It's pretty amazing. You can go out and do your business, do your traveling, go about your daily life and not worry about it. Just once a week in the weekend, you inject yourself. In terms of adherence, it's very good.

Tegus Client

Awesome. Thank you again for taking the time to speak with me today. Enjoy the rest of your day.

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