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# West Pharmaceutical Services, Inc. (WST)

JP Morgan Healthcare Conference

## CORPORATE PARTICIPANTS

**Eric Mark Green**

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

**Bernard J. Birkett**

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

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## OTHER PARTICIPANTS

**Casey Woodring**

*Analyst, JPMorgan*

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## MANAGEMENT DISCUSSION SECTION

**Casey Woodring**

*Analyst, JPMorgan*

Hi, everyone. Welcome to the 2021 JPMorgan Health Care Conference. My name is Casey Woodring. I'm a member of the Life Science Tools and Diagnostics equity research team here at JPMorgan. Today, it's my pleasure to introduce the management team from West Pharmaceutical Services. As a reminder, if you'd like to ask a question, please feel free to submit via the presentation web page.

And with that, let me turn it over to Eric.

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**Eric Mark Green**

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

Great. Casey, thank you. Thank you for the introduction and thank you to JPMorgan for hosting us at this year's conference. We hope that next year, sure all would agree that we would like to be able see everyone in person in San Francisco. Today, I have a few slides like to share with you and walk through and on the exciting work being done here at West. And then our CFO, Bernard Birkett, will join me in the Q&A session following the brief presentation.

On slide 2. Before we get started, I do want to highlight the Safe Harbor statement, which can be found in the slide presentation materials which have been distributed. And or you can receive the information from our website at [westpharma.com](http://westpharma.com).

So let's get started on slide 3. For those aren't as familiar with the company, West is a global leader in containment and delivery of injectable medicines. And in the century long history of West, our criticality of our purpose could be any more clear during times like today, not only delivering on our core business but also playing our role in the fight against the pandemic. Our mission and our vision in this space is consistently led by our three core values: as passion for customers, leadership and quality, and a One West philosophy of teamwork and collaboration.

Turning to slide 4, we have a resilient business and we're operating from a platform of strength. When you look at the diversity of the geography, we match our global customers. Over 50% of our revenues are outside of the Americas. From a product lens perspective, high-value product components and high-value product delivery devices make up approximately half of the company's revenues in the first nine months of 2020.

And thinking about the market units that we are focused on as a market-led organization, our largest unit in a few years ago I couldn't say this, but as of the first nine months of 2020, biologics is now the largest market unit at West and we're excited about the growth trajectory that we have in that particular segment.

We have over 10,000 employees driving performance each and every day, and we have a very large manufacturing scale capability with 25 sites and producing over 100 million units a day. And our customer base is diverse and we're continuously driving innovation to support our customers as is evident when you think about the number of patents that we have filed over the last couple of years.

Looking at slide 5, a few years ago, we realigned the company around a market-led strategy where we felt that we could respond faster and create more value by addressing the pressing needs of our customers. We're working in the highly regulated markets. Let's [ph] peel it (03:37) back a bit.

On the commercial side, we aligned our organization with biologics, so the large molecules. We looked at the generics particularly in the small molecule area and then the pharma branded against small molecule. We also have a fourth unit as contract manufacturing that we repurposed, we focused around the healthcare sector and less focused around the consumer products.

That engine, that commercial engine that market lens has been driving our performance from product management in R&D. What products we're developing line extensions and/or new innovations that are brought to market to continuously drive the high value product portfolio. Particularly, we're seeing great traction in the Crystal Zenith and injection devices.

And behind all that, we have this – we've globalized our operations which has paid dividends today as we've gone from a site region perspective to really truly global operations, allowing us to flex the network more effectively to be able to respond to the demand it needs.

If we turn to slide 6, what's interesting about this, this is the framework of our portfolio and the continuous focus which drives top and bottom line growth. So let's talk a little about the orientation of the slide. The X-axis is increased value to our customers, the Y-axis is increasing value to West, which means both ASPs and margin potential.

As quality requirements continue to rise, both by our customers and regulators, we have seen growing demand each year for our HVP processes such as Westar Pharma Grade Watch, Westar RU sterilized components. In the biologics drugs, most of which are large molecule proteins are extremely sensitive to the packaging which has resulted in tremendous adoption of FluroTec coated components provided by both us and our partner in Japan, Daikyo. And we're also developing our best-in-class quality by design NovaPure, which is the highest level as you kind of go up to continuum and we're seeing high adoption by recently approved biologic drugs that expect this portfolio into their filings.

I can't go without saying that the Crystal Zenith continues to gain traction in those most complex biologic requirements. And also in our self-injection platform, we continue to see an increased interest in our SmartDose platform truly drive towards the biologics sector.

Moving to slide 7, the sales performance of the organization over the last five years has been robust. We've always talked about a 6% to 8% top line construct from an organic growth perspective, and we have been performing at the higher end of that range.

As we turn our attention to the first nine months of 2020, we obviously exceeded that quite considerably, and there's an element of COVID impact. But also the core business continues to gain traction to accelerate closer to the double-digit growth, and that's across both proprietary products and contract manufacturing.

What's interesting, by turning to slide 8, is we look at what is the thesis, the driver of West, and is there opportunity to continue on that journey into a number of years ahead of us. Just the orientation of the slide in the left-hand side, the number of units produced in our facilities. So, when we talk about over 40 billion components at West per year and roughly within proprietary, if you take contract manufacturing out of the equation, it's roughly around 32 billion components per year.

Roughly around 22% of those components for the first nine months of 2020 has been within our high-value products. What you'll notice is that it's about 100 basis points or a 1-percentage-point each year incremental since 2015. And how that translates into the revenue is that it's gone from 53% of our total sales of proprietary up to 65%. So, obviously the driver of higher ASPs.

You think about the margin profile, our two highest growth areas at West and we still feel there's a tremendous runway ahead of us is the high-value product components and the delivery devices where you can see the margins are above the corporate average of 35.5%. And then you have the standard packaging and contract manufacturing, which is less than that.

What really aligns well here is the biologics growth of the business, the high participation rate that we have at West with our customers on the number of approvals in the marketplace, having our products, the high-value products on that continues to drive that momentum going forward.

You bring that all together on slide 9, what you've seen is sustainable consistent growth in aligning the unique value propositions in the business model is really driving revenue growth and margin expansion, which translates into our EPS. And obviously on the right-hand side, the value that has been created with our shareholders. One thing that I know the team around the world at West proud of is that end of 2015, we're added to the S&P 400. In 2020, we're added to the S&P 500. So, we're very pleased in the progress but we think there's a lot more to do.

And as you transition to slide 10, it's an exciting landscape that we operate in. If you think about looking forward, it's very attractive robust market in the injectable medicine space. The fastest growing element of that is the biologics area. And as I said earlier, that's the fastest growing segment for West, but it's our highest participation rate for each and every molecule that's been approved around the globe.

There is an increasing linkage between primary containment and delivery devices. And at West, we've been successful bringing that together. When I look in future for West, it is around execute; it's around innovate; and it's around growth. So, the first one around execute is to continue to build the momentum and success of the market-led strategy. It's the second element of execute is further globalization of our operating model. And the third is continue this shift from analog to digital environment throughout the globe.

So turning to slide 11, this goes a little greater detail on our market-led approach. Being market-led means working with customer groups that have specific needs. And for example in the biologics, it's the sensitive drugs. Also looking at ways to move from IV to subcu environment which aligns real well with our on-body wearables solution, the SmartDose.

In generics, higher awareness of quality requirements in design to outsource high-value products to us, to West, and so trying to build in-house capabilities. And now they're looking to even further differentiate those molecules with devices. And in the pharma small molecule branded area, they're mature. There's a focus around total cost of ownership, but we're also seeing tremendous growth opportunity around the e-pharma and we've created new formulations within high-value products to really help drive these new molecules through approval.

So, as you think about the market-led approach that we've implemented and it's maturing more throughout the organization, we're very well positioned to continue to drive market leading growth in all segments that we support.

I can't go any further without talking a little bit more about slide 12, the biggest question that we have received throughout the day on our one-on-ones with the group sessions and throughout the organization is, what is West participation with COVID? In early 2020, we got some intel to the various government agencies throughout the world. Obviously, some of our leadership in Asia-Pacific started to give us insights on what's happening in that region and about the emergence of COVID-19.

We activated our emergency response team here at West. I couldn't be more proud on how that team has come together globally to really ensure two priorities in this company and it still stands as the top two priorities. Number one is to ensure the safety of our employees and their families at all times. And secondly is to ensure continuity of supply to our customers during these times of flux whether it's supply chain challenges, whether it's other headwinds that are unpredictable in the times like this.

In our values, when I talked about earlier our three core values, they're on full display frankly. And I couldn't be more proud and humbled by the reaction of our colleagues. To give you one small example is, as we've been facing early on was around diagnostics, how can our contract manufacturing business support diagnostics requirements of our customers to detect COVID?

Then it transferred into therapeutics. A number of therapeutics were participating on had been approved. And then has moved into the vaccine conversation. And West, as you can imagine, has been very active in those discussions and has a very high participation rate on these vaccines. And that demand has translated into volume increases into our plants. So, we initiated moving our plants, our 25 plants, to most of it towards a 24/7 concept. We had to onboard a number of new employees to the organization and train them on our processes.

We also identified ways to have our customers working on various vaccines, narrow in on a select group of products that we knew could be supportive of multiple vaccines, which tends to be around the FluroTec, coated stopper for vial configuration, obviously, seals, and also with NovaPure.

We have increased our capacity by bringing in additional equipment, not bricks-and-mortar but new equipment to actually a modular approach to expand our capacity in those specific areas of FluroTec and NovaPure. And as we communicated earlier, those investments were already earmarked in our five-year plan. And as we think about going forward, that's now being installed here as we speak and being validated and ready for commercialization.

So, when we think about our core business and we think about how we leverage the global operations through those changes we made a few years ago has put us in a position to be able to respond effectively to be able to be a part in a serious solution partner for this pandemic. It's interesting times, but I'm really proud of the team around the globe on how they responded.

Going back to the execute on the second lever is really globalization of our business. And we have, as I talked about the global operations, it's more than that. It's looking at how we can drive more globalization of every function in this organization to align ourselves to our customers which are expecting those type of results. We have more initiatives to further raise the bar on safety and quality and capacity and [ph] COGS (16:03) utilization. And as I said earlier, digital is an important enabler to drive globalization through all parts of the organization.

Turning to slide 14. As we go to second major pillar at West is the focus around innovate. If you think about R&D, keeping stride with the changes in science whether it's B cell or gene therapy drugs and their specialized containment delivery needs all the way to lifecycle management of mature drugs. And we have aligned the organization in R&D to enable to respond to both new innovations and also improvement on existing portfolios to be able to respond to our customers. I'm excited about the journey that we're on in R&D and the future launches of new products and solutions and services that will be a result of those efforts.

Turning to slide 15. If you look at our capital deployment, this is about the growth. Now, we have historically the last several years, actually 28 years, consecutive years increased our dividends here at West. We also have, in the last several years, done a share buyback program to really offset the dilution effect of incentive programs. And we have authorized another 631,000 shares for the next 2021.

We've also, from an organic growth perspective, as I just mentioned earlier, increased capital expenditures on specific equipment focused around FluroTec and NovaPure to enable us to respond to the core business growth but also to the COVID vaccine demand requirements that we have with multiple customers. And as several of the vaccines get approved, we're able to respond appropriately over the next several months or quarters to be able to ensure that we are consistently and as we are today getting the delivery dates for each and every one of those customers.

As we kind of think forward is that what other elements of growth can we use, our additional free cash flow that we're seeing this organization has been building up. And we'll continue to look at opportunities that may round out our portfolio or provide additional services or capabilities that our customers are looking for to have a complete solution with their interaction with West.

If I turn to slide 16, this is kind of encapsulate really an element of how we think about ESG at West. This has been in play for a number of years. The team has done a great job to stay focused. We have goals [ph] set up (18:55) for 2023. You don't know. That's our 100-year anniversary at West. We thought it'd be appropriate to set our next set of targets towards that year. And we're seeing great accomplishments across the organization in multiple ways, whether it's around compliance and ethics, philanthropy, continue to see improvements with health and safety, diversity and intel in the organization, environmental sustainability and quality. We believe we are the market leader in quality in our space and we've always believed that there's continuous opportunities to improve that and raise the bar because our customers and regulators are expecting that of us.

So to summarize on slide 17, when you think about the strategy at West, I'm really excited about the future. We have a phenomenal platform that work from. Today, we're really critical in the process not just on the core business but also to be able to support our customers and support society around combating the COVID-19. Our

participation rate remains very high in our products that are being used in these battles is really around our high value products and also all the way up to NovaPure.

In our globalization, we think about the operations. If we would not have done what we did over the last few years, we would not be able to respond as we are today. So, I'm very proud about the work that we've done. But the team is feels that we're just in their early innings. We're driving automation. We have new automated work sells in a few of our sites that we're continuously expanding. We're driving more globalization of our supply chain and movement of goods. We're working with our customers to have multiple sites approved based on a process approach versus a site approach. And we think about all these changes that are being made, it only allows us to be more responsive, leverage our assets more effectively and be able to really support the growth that's occurring in the industry.

When I think about the feeling of innovation and innovation and making sure that we're aligning to our customers, I truly believe the market-led strategies bringing those new ideas back to the table allow us to assess how can we respond, how do we provide the right product and the right solution to our customers.

And the other element that's not listed in here is around digital. We have done tremendous work in the last two years to digitize a lot of our processes and a lot of statutory equipment and also created a concept ERP system in our organization that allows us to think and move quicker and faster with information to be able to respond to the market-changing needs on a regular basis.

All this with our phenomenal culture at West and also with the dedication of 10,000 employees, we do believe we are creating tremendous value for our customers, ultimately, the patients, our fellow colleagues around the globe and obviously, the shareholders.

So, on that, I am going to turn it back to Casey, and turn this into a Q&A session. So, thank you.



## QUESTION AND ANSWER SECTION

**Casey Woodring**

*Analyst, JPMorgan*

Q

Great. Thanks. That was a great overview. Maybe the first question I just came over via email was, given the lower expected patient volumes, how much of an opportunity will cell and gene therapy be for you five years down the line?

**Eric Mark Green**

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

A

Yeah. So, we're participating in that area, a very high participation rate, obviously. And if we think about five-plus years down the road, it depends on type of treatment that we performed, the volume aspect and we're looking at ways to put in a service element to that, there's more value per injection concept. But at this point, I think it's too early to articulate what percentage of our business will be in cell and gene therapy five years out.

**Casey Woodring**

*Analyst, JPMorgan*

Q

Got you. Given the increasing percentage of sales represented by biologics and the biologics industry growth of 12% to 15%, and that's not including biosimilar expansion that's likely in the next couple years, why is 6% to 8% still the right midterm guide?

**Eric Mark Green**

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

A

Yeah, the way I would respond to that is, you're right. And the fact in the more recent quarters without COVID, we're on the high-end of that 6% to 8%, in fact, a little bit over. You throw in what we're doing right now in COVID and the duration of that. It doesn't bring in much higher than that. But when we think long-term without COVID, we're very comfortable with the 6% to 8%, long-term. That is consistently growing the high-value products in double digits. And also, in addition to that, expanding our operating margin at least 100 basis points per year. So that construct, we're very comfortable with. But internally I can tell you, we're shooting for stronger numbers than just the 6% to 8%.

**Casey Woodring**

*Analyst, JPMorgan*

Q

Got you. So, as far as COVID goes, West is playing a role to supply components to drug and vaccine developers and companies that are addressing the pandemic. You mentioned that you're accelerating manufacturing capacity ahead of potential vaccine approvals. Can you give us an update on that and provide any more color that you can share?

**Eric Mark Green**

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

A

Yeah. So, midway through last year when we were in discussions with several companies looking to develop vaccines and the decision to go with FluroTec and also, in some cases, NovaPure, we looked at the mapping of our current business plan and the future demand put on with these other requirements around the vaccines. We needed to bring forward some of the capital two or three years out from now and moving forward to now.



We [ph] made (24:54) that decision in 2020. We spent some of the money in 2020. Some of the equipment was installed in Q4 through installation and validation, now getting ramping up to for production purposes. And then throughout 2021, we'll have even more equipment installed throughout the year to be able to react to these demand requirements. So that was the reason why we brought it forward.

And just to be clear, what's really exciting about what we're doing is that we're able to keep our customers really focused on that FluroTec-based coating, which as you think about the biologics growth of our business and as it grows faster than any part of our business, that volume requirement is going to be needed anyways within that unit. So, we're really pleased by making sure it's in place and it's been ramped up and we will be able to respond to demands that are in front of us and that's why we pulled it forward.

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**Casey Woodring**

*Analyst, JPMorgan*

Q

Okay. Again, following up on that, you mentioned FluroTec there. That's one of your higher end high-value products. Why are these COVID vaccine developers choosing it? And will this trend continue on?

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**Eric Mark Green**

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

A

So, complexity of the vaccine of itself and it requires that bigger coded and a lot of the companies that we're working – mostly of the companies we're working with and their portfolio biologics [Technical Difficulty] (26:23) that technology and they're very comfortable. And so, as they're thinking, they're making the decisions on to how to create their primary packaging containment from the elastomer side, West is one of the preferred choice moving forward, that's why they're defaulting a lot to FluroTec and then in some cases, to NovaPure. There are a couple scenarios where because of that past practices, they would use standard material. For the most part, what we're seeing is this FluroTec coating.

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**Casey Woodring**

*Analyst, JPMorgan*

Q

Got you. And then, so given the COVID-19 requirements, is there a longer lead time for meeting non-COVID requirements?

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**Eric Mark Green**

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

A

No. So, we've seen in some cases an increase on lead time, in some other case, a decrease in the lead times. We're made to order. And so, but it's not as a significant shift with these investments that we've made. We'll see that all normalize. And we are seeing that normalize at this point of time for our core business. And we're giving customer confidence as we think about order patterns, they're identifying that over the next one or one-and-a-half years, these are the demands they need. We're able to map that in and give them confidence we'll have the capacity and the capability to produce and delivering on time. So that's the approach. And frankly that's with the way the team is structured today in the last few years about market led, that visibility is a lot more evident today than it was a number of years ago.

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**Casey Woodring**

*Analyst, JPMorgan*

Q

Got you. Maybe last one on COVID. How are you preparing for the various vaccination scenarios? Demand remains high, will West have to invest more capital or build more facilities to keep up with that demand along with

the underlying demand of injectable drugs? What is demand? Where does that fall when a widespread vaccination program is finished? And what will happen to all that expanded capacity?

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

A

I can take this one, Eric. Yeah. So, at the capital that we've installed towards the back end of 2020 and that we're continuing to install in early 2021, was already baked into our five-year strat plan. So, we would have been onboarding that capital probably in 2023 and maybe a little bit after that. So, we do see growth in our core business which has remained strong right throughout COVID and we continue to support that.

So there is an immediate need now with vaccines to use that equipment. However, if vaccines for some reason went away and it wasn't a recurring business, that equipment wouldn't lie idle for that long because we do see a lot of increased demand around FluroTec and NovaPure even in the normal course of business, excluding COVID. And that will consume that extra capacity that we're layering in and in a relatively short space of time. So, from that impact, there isn't a big risk for us.

On the other element, or part of the question, do we need to add more capital, that is something we're continuously assessing. So, we took a phased approach as to when we layer in capital to respond to COVID, primarily around vaccines. And based on working closely with our customers, we have good visibility on that and we added about \$40 million extra in 2020. And we do see some incremental capital around COVID in the early part of 2021.

But as I said, it's a moving target. So, as things become clearer, we'll decide whether we need to add more or not. But again, all of the capital that we would even be adding within 2021 is baked into our original and five-year strat plan. So, it will be get used over some time. It's not that it'll sit there for long periods of time and not being used.

**Casey Woodring***Analyst, JPMorgan*

Q

Got you. So, maybe following up on our conversation about biologics earlier, what do you see as potential growth drivers for West's small molecule customers in your pharma and generics business units?

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

A

Yeah, I'll take that one, Bernard. So, when you think about generics and the pharma, generics we can see more of a long-term, mid to high single-digit grower. And the reason why we say that is, we're winning more and more of the ANDAs each year, and many of these customers are adopting the AccelTRA program we launched a couple years ago which is part of the HVP program. And we're also seeing an adoption of legacy formulations in the RS scenario with HVP format. So, we're actually quite excited. Of the three market units within proprietary, this is one where we had the lower market share, still very attractive. We continue to be a leader but this is an opportunity to take more share.

In the pharma side that it is more mature. What we're seeing the growth opportunity there has been from really new small molecule drugs coming from emerging pharma companies. So, and for these drugs we often see them adopt our higher encoded HVPs. And last year, we launched a new formulation, a new product which is our most recent HVP formulation that's really an area we focused to that customer segment and that appeals to the uncoded market. So, it really is – case is really tailored solutions to these segments. They're emerging as strong

growth driver [indiscernible] (32:11) segments was the reason why we gain above market growth rates in those areas.

**Casey Woodring***Analyst, JPMorgan*

Q

Okay. So, as far as Vial2Bag goes, in 2019, you recalled your Vial2Bag administration system. In October of last year, you announced that you received FDA 510(k) clearance to re-enter the market there. Can you please describe how the launch has been and what to expect from this product family moving forward?

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

A

Yeah. I can take that. So, we return to the market with the Vial2Bag Advanced 20-mill Admixture Device. So it's a universal needle free admixture device for immediate use for IV infusion and enables the reconstitution and transfer of a drug between a vial and an IV bag. So, as we've just got the 510(k) approval, we're in the early stages of the commercial launch and that's really again early in 2021. So, it may take a little bit of time for us to get back to where we were before we recall the product. But we're encouraged with the really positive reception that we've received from customer so far. And we really believe that we are assisting in the standardizing procedures for maximizing efficiency for point of care nursing with this device. So, again, there is a lot of interest, a lot of poll from the market and we're in the process of getting it back onto the market and it is relaunched.

**Casey Woodring***Analyst, JPMorgan*

Q

Okay. Maybe one on margin expansion. Can you just give us some details on drivers that West still use to drive an incremental margin expansion over the next few years? Are there specific catalysts or watch-outs that you could drive upside or downside to a 100 bps per year of expansion you're targeting?

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

A

Yeah. So, the drivers have remained pretty similar to the ones that have been there for the last number of years. And there are multiple drivers. So, the increase in high-value product sales is really the number one driver. So, we see that really being tied to our biologics market unit. And over the last number of years, we've seen solid growth in that area and we continue to forecast that. And you can see it in products like NovaPure, CZ, some of the self-injection products and around FluroTec. So that that is one of the main drivers obviously of revenue but also of margin improvement.

And there's also an element of pricing where typically we get 1% to 2% on pricing per year, and we continue to see that over the next number of years. And pricing is an area that we are focusing on and to seeing where can we take that and can we get both the 1% to 2%.

And then on, as Eric mentioned earlier, it's around globalizing our operations and being able to get greater utilization from the infrastructure that we have put in place from a global perspective. And again, we've seen significant improvement on that over the last number of years, but we still believe there's a lot we can get from as we continue to introduce greater levels of automation, standardization, lean principles and agile methodologies across our network. So, multiple drivers which gives us confidence to say that we can continue that improvement over a number of years.

**Casey Woodring**

*Analyst, JPMorgan*

Q

Got it. And this year, you guys accelerated your capital spending over your original guide due to COVID. It looks like 2021 could also see impact on pandemic CapEx there. What's the right way to think about CapEx spending post pandemic?

**Bernard J. Birkett**

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

A

Look, prior to COVID, we were probably tracking about 6% to 7% of revenues on CapEx and that was divided between maintenance CapEx probably \$40 million to \$50 million, \$10 million to \$20 million on IT depending on what was required. And then the rest is really focused on growth and that CapEx is primarily around adding equipment rather than footprint. So, we have the infrastructure in place. It's just layering in equipment at this point. What that does is, it gives us a much faster return on investment and improves return on invested capital in an accelerated fashion compared to layering in buildings, et cetera.

So that's where typically we would see it coming in. It's going to be probably higher obviously in 2020 based on us increasing the spend by \$40 million. And we potentially see some increased spend above what we would normally do in early 2021. And there may be some additional spend required later on in 2021, but that's all supported by growth and it is to meet demand that's there in the market. It's not really speculative investment. It's to meet customer demand. And so that's typically the way we're looking at it.

**Casey Woodring**

*Analyst, JPMorgan*

Q

Okay. Got you. And then maybe just touching on M&A, you guys have had a long track record of generating organic sales and expect to continue to do so. So, based on your financial construct here, how does M&A fit into the picture moving forward?

**Eric Mark Green**

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

A

Bernard, you want me to take – I'll start with this.

**Bernard J. Birkett**

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

A

You can start and then...

**Eric Mark Green**

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

A

Yeah. I think when you're looking at – Casey, when you look at the opportunities that West has, you're absolute correct. I think the previous number of years, we really focused on the organic growth, leveraging the strategy and making the interaction, and I think when we made progress. I think we're at a point at this juncture is that we do have the opportunity to look at other technologies, license capabilities, equity investments and acquisitions, small bolt-on type of acquisitions to really help fulfill that complete offering to our customers as we think about continuously the containment and delivery of injectable medicines.

So, I think there's a good opportunity. We have focus in that area, making sure that we're ahead of the curve on the new technologies that have been developed by various small institutions and/or organizations. That's one

thing that West is really good at is taking technology and now commercializing. And so there's an opportunity for us to start looking further [indiscernible] (38:46) growth strategy.

So, Bernie, you want to round that up?

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**Bernard J. Birkett**

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

A

Yeah. We take a pretty disciplined approach to looking at M&A. So, we're in a pretty strong position that we have such a powerful organic growth story, and we're very cognizant of that. So, we don't want to do anything to detract from that. What it allows us to take the appropriate amount of time to go and look at investments to assess the right targets and then to action them. We can do it in our own time. We don't have to rush into it. It's not that we'd be forced into anything.

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**Casey Woodring**

*Analyst, JPMorgan*

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Right.

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**Bernard J. Birkett**

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

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So, we need to make sure that we take that type of approach. And as Eric said, and it's looking at acquisitions across a number of different areas and a number of different methods of doing that. So, again, it is more of a priority for us at this point. And well, I think I believe we're approaching it from a very strong position and looking at it the right way. And it's all about creating better offerings for our customers and patients and increasing the return for shareholders.

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**Casey Woodring**

*Analyst, JPMorgan*

Got you. Okay. Well, it looks like we're hitting the top of the hour here now. So, I guess, we'll leave it at that. Thank you to both of you for presenting today. We appreciate your time. And thank you to everybody for joining us today.

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**Eric Mark Green**

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

Great. Thank you, Casey.

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**Casey Woodring**

*Analyst, JPMorgan*

Thank you.

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