21-Nov-2024

West Pharmaceutical Services, Inc. (WST)

Stephens Investment Conference

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MANAGEMENT DISCUSSION SECTION

Jacob Johnson
Analyst, Stephens, Inc.

All right. Good morning. Welcome, everybody, to the last day of the Stephens Conference. I'm Jacob Johnson, the life science tools and pharma services analyst here at Stephens. I appreciate everybody joining us this morning, including the team from West Pharmaceutical Services. We've got a whole host of people up here. We've got Cindy Reiss-Clark, Chief Commercial Officer; Chad Winters, Chief Accounting Officer.; and John Sweeney to my left here from Investor Relations.

So as I think everybody probably knows by now, format of this will be a fireside chat. I've got plenty of questions. If some of you have questions along the way, by all means, feel free to chime in. I'll try to pause along the way for any audience questions. And with that out of the way, John, I think I'll turn it over to you for any introductory comments.

John Sweeney
Vice President-Investor Relations, West Pharmaceutical Services, Inc.

Well, thank you so much. I really appreciate it, Jacob. Thanks for hosting us in – at the Stephens Conference, and it's great to be here in Nashville. For those of you that are not familiar with West Pharmaceutical Services, we are a leader in the injectable solutions and services market. So, we help ensure safe, effective containment and delivery of medicines for patients. And we delivered about 43 billion components and devices last year. We recently reported our third quarter results, and we're pleased with how the team drove execution for the business.

Now, West benefits from a number of attractive long-term secular trends. We have strong participation rates in biologics, and we support our customers as they launch new products with a very high success rate of getting on new molecules. We also support customers in GLP-1 space, both on the elastomer business and on the contract manufacturing side as well. And we help our customers navigate the changes in the European regulatory

landscape, and that's including Annex 1, which was launched last year. We're excited about the ramp-up in our new site in Phoenix, where we manufacture on-body wearable SmartDose self-injection systems.

And with that, a little bit of an intro, we're very happy to take all your questions, Jacob.

QUESTION AND ANSWER SECTION

Jacob Johnson
Analyst, Stephens, Inc.

Q

Thanks, John. John just gave the roadmap for probably how this conversation is going to go, with one caveat, which is where we'll start, which is on destocking, to get that out of the way. So, your commentary on the third quarter call, pretty similar to what you said in 2Q. Eric did mention some positive shifts in customer discussions around them, maybe starting to increase their near-term order trends, which would seem to be certainly encouraging, I think. So, I think everybody's trying to handicap where we are in this destocking process. So, there's no better way to do it than to just ask you to tell me where we are.

John Sweeney
Vice President-Investor Relations, West Pharmaceutical Services, Inc.

A

Sure. So just as background, destocking arose out of COVID. And what happened there was we had Operation Warp Speed. We had to manufacture products for vaccines. And so, any order that came in for that went to the top of the pile, and we had to have conversations with our longstanding great customers now instead of a typical lead time of 10 to 12 weeks, it's going to take us 40 or 50 weeks to satisfy demand for this product.

Then on top of that, we invested in our capacity during COVID to expand our capabilities and drive more capacity for HVP. I think COVID left more quickly than everybody anticipated. And those are the two factors allowed us to rather quickly drive down lead times back to a more normal 10- to 12-week time period. So, now, customers are getting very comfortable with that lead times, and they're getting comfortable reducing their safety stocks.

Now in addition, I'd say with higher interest rates, some customers turn their focusing to managing cash flow, to reducing working capital investment, and destocking resulted. So, as Jacob pointed out, we told you in our 2Q earnings call, we'd see destocking in 3Q, and – that we saw it in 2Q, continue to 3Q, and moderate in 4Q. That still remains our perspective, and we may see some destocking bleed into FY 2025, particularly in generics.

And we did have some positive points. Thank you, Jacob, for pointing that out. We said we're starting to see signs of stabilization in our business, particularly in pharma, which is an area that's a higher proportion of standard products. And we also mentioned that we've observed a positive shift with some of our customers showing increasing near-term order levels and pulling forward orders. So, the conversations and the tone has got a little bit more positive, Jacob.

Jacob Johnson
Analyst, Stephens, Inc.

Q

Yeah. And there's a lot more positive things to talk about, and I promise we're going to get to those, but just maybe a couple of follow-ups on the destocking piece of it. Maybe first, just generics, it seems like that's going to be the most persistent headwind. I'm just curious, what is it about that customer base or the products that they're using that it's taking a bit longer for them to work through their inventory levels?

Chad R. Winters
Chief Accounting Officer, Vice President & Controller, West Pharmaceutical Services, Inc.

A

Yeah. So, on generics, they really entered the destocking process the last, so they're going to be the last to come out. They had a much bigger backlog also during COVID, as our lead times ballooned to that 40-, 50-week, generics felt a bigger brunt of that. And then some of the factors John just mentioned around reassessing inventory levels there, the generics are also giving that a lot more scrutiny, given the nature and the competitive nature of their environment. So, that's really why we see that one moving into 2025.

Jacob Johnson
Analyst, Stephens, Inc.

Q

Okay. And then the other follow-up is just on biologics, just because that's the biggest chunk of the business. It seems like that will still be a headwind in 4Q in that segment – destocking will be, but maybe less so than 3Q. And seems to be abating for that customer base, but you did mention the potential for a few biologics customers to potentially spill into 2025. Could those be meaningful? Or should we think about biologics destocking largely being done by the end of this year?

John Sweeney
Vice President-Investor Relations, West Pharmaceutical Services, Inc.

A

Yeah. So, obviously, West, we have a very strong position in biologics, and that's the fastest-growing part of the market with injectables, and not just for current drugs, but also for the new drug launches that are ongoing as well. We're seeing improving trends, and that's partly driven by the increase in delivery devices. I think the best way to characterize biologics destocking is that we're going to have a moderation in the fourth quarter. Now, whether it's completely over by the end of FY 2024, I think it's still hard to tell. So, we'll take the temperature and we'll frame out our updated expectations on our next earnings call.

Jacob Johnson
Analyst, Stephens, Inc.

Q

Got it. Okay. One last question on de-stocking, and then I promise we're done. There's been a lot of moving pieces for West, but honestly, in the broader space, the last couple years with COVID and then destocking, do you think anything about the volume outlook for these end users has changed, or is kind of the delta between the growth – flattish outlook this year and kind of the 7% to 9% LRP you have longer term solely due to destocking?

John Sweeney
Vice President-Investor Relations, West Pharmaceutical Services, Inc.

A

I would say, nothing's changed within the market. When we look at where we were over the last five years, we've grown our volumes at about 1% to 2% CAGR, price at about 2% to 3%, and the rest has been mix. So, we've benefited from that mix shift from standard products to HVP. So, nothing fundamentally has changed from my perspective. I think we did have a very large bowling ball pass through the snake with regard to COVID. I think we're through that now. I think we've now got capacity firmly in place, and I think that sets us up well to compete and win in the next few years as well.

Jacob Johnson
Analyst, Stephens, Inc.

Q

So, I promise for everybody in the audience, we'll get to GLP-1 dynamics, but I want to go to a different area of growth that, I think, has become a little more topical recently, but I think at times it's kind of flown under the radar, and that's the delivery devices. Those have been really strong in recent years. Can you talk about what's driving

that? And then, is there any way to kind of frame up the number of commercial drugs that SmartDose/SelfDose support?

Cindy Reiss-Clark
Chief Commercial Officer & Senior Vice President, West Pharmaceutical Services, Inc.
A

Yeah. So, I'll take that one. So, we're currently supporting three customers with drugs on the market, and those drugs are in various stages in their product launches, but we have seen some recent success with a customer that has a blockbuster drug, and so we're supporting that ramp. And in the call, we did speak about a new line in our Arizona manufacturing network coming online. And so, we were able to see that come through in Q3. And we also have additional investments around an automated line that will be coming in towards the very tail end of fiscal year 2025, really benefiting in 2026.

So if you are familiar, or maybe some of you aren't, but SmartDoses are on-body wearable device, and the beauty about SmartDose is it really delivers more volume of drug from a 3 mL clear up to a 10 mL volume. And you basically take the device, it's a loaded cartridge, you put it into the device, you put it on your skin, you press a button, and then it delivers over about a five-minute time period. So, you can be working on your laptop, you could be doing normal, everyday errands with that device on, and it is a self-treatment in the home.

Jacob Johnson
Analyst, Stephens, Inc.
Q

Got it. You mentioned the new capacity, and you're working to add automation, which seems to suggest you see additional volumes coming. So, is it fair to assume that drug delivery devices can remain accretive to the growth profile at West in coming years?

Cindy Reiss-Clark
Chief Commercial Officer & Senior Vice President, West Pharmaceutical Services, Inc.
A

So, right now, with the current customer that we're supporting, we do certainly see that ramp providing a growth opportunity, and that will continue for a period of time. But with the trend of [ph] you (00:10:28) kind of moving from infusion centers or hospital treatments into more of a home setting, we certainly see this as an area of opportunity in the market overall. And so, we certainly have a pipeline of customers that we're working with to be able to help those customers bring different treatment options to their patients. Obviously, this follows the FDA regulatory approval where you've got to get the drug approved, you've got to get that drug approved with the delivery device that it's going to treat the patient with.

So, this is somewhat of a long cycle, but we do believe that this is a growth area, but we've got to get new customers, we've got to have those customers be successful. And then, clearly, we've got to make sure we've got the scale to support them in the market.

Jacob Johnson
Analyst, Stephens, Inc.
Q

Got it. Maybe kind of last question on delivery devices broadly, to your point, healthcare's moving closer to the patient, I think, kind of across the board. In theory, that should create opportunity for your delivery devices, and has. I guess, I'm curious – maybe two questions, is there an opportunity for West to have additional offerings in this space? And then, maybe also just your customers also have delivery devices, too. How does that inform kind of the more traditional offerings you have? Are you seeing changes there?

Cindy Reiss-Clark
Chief Commercial Officer & Senior Vice President, West Pharmaceutical Services, Inc.

A

Okay. Well, maybe I can, first, kind of just start with the trend. I think probably most of us in this room either can imagine or know folks that have to schedule their life around their disease and have to schedule vacations and other areas around an infusion treatment. And so, for a couple of reasons, whether they be just thinking about how do we reduce the cost of healthcare, how do we ensure that patients have more options for treatments, that has [ph] lent (00:12:23) itself to more delivery devices that can help the patient experience.

So, we certainly believe that there's more opportunity outside of like your normal insulin or some of the immunology diseases that currently use an auto-injector. And so, we are certainly working with customers that are looking at either lifecycle management opportunities for drugs on the market or future treatments that may start in a clinic, but continue in a maintenance area in a home kind of administration. So, we certainly are looking at that when we're building out our offerings.

And our offerings today, we have our proprietary devices, which includes our SmartDose device. And so, we do believe that there are offerings that we can provide there, but our contract manufacturing organization also helps those customers that – where they're developing their own devices, we can help them bring those treatments to market for the patient as well.

Jacob Johnson
Analyst, Stephens, Inc.

Q

Cindy, maybe just one follow-up on that, on SmartDose and SelfDose, the offerings you have, customers also have their own products, too, or some of them have their own injection platforms. So, is there a certain type of customer that says, hey, we don't want to develop this ourselves, we'd just like to use SmartDose, we'd just like to use SelfDose, and if there's any generalities there?

Cindy Reiss-Clark
Chief Commercial Officer & Senior Vice President, West Pharmaceutical Services, Inc.

A

Well, I would say that, actually, most of our customers would prefer to partner with somebody that has that expertise. We do have a few customers that they're very proficient in devices and they have their own device teams that do the device design. But we certainly believe that, whether it's SmartDose or SelfDose, there certainly is a large population of customers on the market that are looking for us to help them with the consultative area of navigating the device landscape. It can be quite complex, but they're going to be more apt to use something that's on the market versus developing their own.

Jacob Johnson
Analyst, Stephens, Inc.

Q

Got it. That's helpful. And then you did have this $19 million fee in the third quarter that was a benefit. Is that related to delivery devices? And then, can you discuss what that fee was and how often you receive this?

Chad R. Winters
Chief Accounting Officer, Vice President & Controller, West Pharmaceutical Services, Inc.

A

Yeah, it was, indeed, related to device. It's volume-based, so our pricing was such that we got this incentive on top of volumes we delivered in the period. We do anticipate a similar type fee in the fourth quarter. Given the magnitude, we obviously wanted to call that out on the October call. It was a big number. And they're not unusual. I mean, we have these from time to time structured with ramp quantities. And then, won't wait for you to ask it,

Jacob, but the 2025 impact is, we'll obviously talk about that next year and still being worked out with the customer.

Jacob Johnson
Analyst, Stephens, Inc.

Q

Thanks, Chad. You're not the first to tell me wait on 2025. Doesn't mean we might not try it later, but we'll see. Maybe I'll pause there if there's any questions, before we get to GLP-1s, which is probably my back end way of talking about 2025. Does anybody in the audience have questions? Okay. GLP-1s, you guys, I feel like, are increasingly uttering those letters and number. You mentioned early traction with long-term growth initiatives last quarter, including GLP-1s. Maybe first, can you just talk about where you participate in GLP-1s across your business?

John Sweeney
Vice President-Investor Relations, West Pharmaceutical Services, Inc.

A

Yeah. So, there's two areas there. The first area is on the elastomer side, and that's where we manufacture plungers for auto-injectors, and that's the NOVACHOICE plungers that we talked about on the earnings call. That's about mid-single digits of our business there. We also participate on the CM side as well, contract manufacturing, and there we manufacture the auto-injector devices that are used by patients to self-dose the GLP-1s as well. And that's a significant portion of our contract manufacturing business. It's not the majority, but it's a significant portion.

Jacob Johnson
Analyst, Stephens, Inc.

Q

Okay. John, I think you just snuck in that it's a mid-single digits piece of your proprietary products business from GLP-1s, if I'm not mistaken. So, the quick math I'm doing this morning with a piece of paper in front of me would suggest that's maybe 100-something-million-dollar revenue stream right now. Is that about right?

John Sweeney
Vice President-Investor Relations, West Pharmaceutical Services, Inc.

A

Yeah, that's in the ballpark.

Jacob Johnson
Analyst, Stephens, Inc.

Q

In the ballpark.

John Sweeney
Vice President-Investor Relations, West Pharmaceutical Services, Inc.

A

Yeah.

Jacob Johnson
Analyst, Stephens, Inc.

Q

And then maybe just on that, you mentioned – kudos to Windley for following up on what NovaBrand was on the last call, but you called out strength from NovaBrand, which includes NOVACHOICE, and I think that was within pharma. Is it safe to assume GLP-1s are in your pharma segment or business line?

Chad R. Winters
Chief Accounting Officer, Vice President & Controller, West Pharmaceutical Services, Inc.
A

Yeah, right now, GLP-1s are actually split. We have some in pharma, some in biologics. And just maybe for those not – NOVACHOICE did get a lot of air time in October, just to clarify for everyone, right? That's our unlaminated version of NovaPure. It is an HVP, that your price point, though, is going to be in like the $0.15 to $0.30 price point and maybe 60-ish percent margins, just to size that.

Jacob Johnson
Analyst, Stephens, Inc.
Q

Got it. And then on the other piece of it, just contract manufacturing, there's some capacity going in, I think in Dublin, in Grand Rapids. Can you just talk about the size of those investments and then kind of how we should think about those contributing going forward?

John Sweeney
Vice President-Investor Relations, West Pharmaceutical Services, Inc.
A

Sure. So, Dublin, we've got a contract manufacturing business that we're putting in place now, so that'll start to contribute as we move through FY 2025, and we'll ramp that up over the next 12 to 18 months as we move through validation. In Dublin, that's interesting for us because that site is also going to do drug handling as well. And drug handling means we'll take the cartridge, which is already filled by the pharma company, we will insert that into the device that we've manufactured, we'll package it and we'll ship it. So, it's added services for us.

Now, that also comes with higher margins, so margins will move from the high-teens to somewhere in the mid-30s. So, we're excited about that. That's FY 2026, by the way, so it's going to take a while for us to put in place. We've got – a couple of things we've got to do first. We've got to put cold storage in place. We have to modify our procedures, modify how we do things to get there, but we're excited to be doing that.

Grand Rapids is going to ramp through 2025. It'll have more of an impact later in the year. Contract manufacturing, we generally think about this business growing low- to mid-single digits over time. So, we're going to get good underlying growth there. We did talk about a little bit lower diagnostic revenues. We've got a customer rolling off there and that's going to offset some of the growth that we'll see in GLP-1s.

Jacob Johnson
Analyst, Stephens, Inc.
Q

Okay. Maybe two follow-ups. I think, John, just one for you, on the drug handling stuff, can you or Cindy or somebody unpack kind of what that is? Because I think maybe some people think it's fill/finish work, which I think it's not, if I'm not mistaken.

John Sweeney
Vice President-Investor Relations, West Pharmaceutical Services, Inc.
A

Yeah. No, it's not fill/finish. Do you want to take that, Cindy?

Cindy Reiss-Clark
Chief Commercial Officer & Senior Vice President, West Pharmaceutical Services, Inc.
A

Oh, I can take that. What we're talking about is, basically, when the drug is already filled, whether it's a syringe or cartridge, it's basically doing the final assembly of the device with that filled, either syringe or cartridge, and having the full package together, and then actually packaging that out to be able to supply to the market.

Jacob Johnson
Analyst, Stephens, Inc.

Q

Got it.

Cindy Reiss-Clark
Chief Commercial Officer & Senior Vice President, West Pharmaceutical Services, Inc.

A

So, it's not filling the drug. It's just that final packaging and assembly where you're taking the filled drug in the device.

Jacob Johnson
Analyst, Stephens, Inc.

Q

But that's a bit different than anything you've done in contact...

Cindy Reiss-Clark
Chief Commercial Officer & Senior Vice President, West Pharmaceutical Services, Inc.

A

Currently. Yes.

Jacob Johnson
Analyst, Stephens, Inc.

Q

...manufacturing [ph] assortment (00:20:25). Okay. And then maybe, John, and maybe for Chad, you said high-teens margins maybe to the 30s. So, this is more accretive work. I also heard 2026, I'm guessing it'll probably take some time for us to see that margin ramp, or any words of caution maybe from the finance guy over there?

John Sweeney
Vice President-Investor Relations, West Pharmaceutical Services, Inc.

A

Yeah, no. So, it's going to take us a while to get to drug handling. So, that's a slow burn and the ramp will take us through 2025 to put those things in place. So, a lot of work to get there. But we're excited about it because it gives us the opportunity to do added services for customers. And this is not something they've done before. So, we feel it's validation of what we've been doing in contract manufacturing.

Jacob Johnson
Analyst, Stephens, Inc.

Q

Thanks, John. Maybe I'll pause there and see if there's any other GLP-1 questions that you [ph] quantified it for us in proprietary (00:21:23) products, so I'm not sure I can ask for much more. Okay. Maybe just one that's topical in the last week. There's a new – or proposed new head of HHS maybe coming in, he may have some views on vaccines. And so, you've probably gotten the question about vaccine exposure, so I'll ask it here.

John Sweeney
Vice President-Investor Relations, West Pharmaceutical Services, Inc.

A

Yeah. No questions on vaccine exposure to-date, but for those interested, vaccines are about – they're less than 5% of our overall revenues. And US vaccines, which I think is probably the more important statistic, slightly over 1% to total revenues. So...

Jacob Johnson
Analyst, Stephens, Inc.

Q

Got it. Pretty de minimis.

John Sweeney
Vice President-Investor Relations, West Pharmaceutical Services, Inc.

A

Yeah. And vaccines are not going away.

Jacob Johnson
Analyst, Stephens, Inc.

Q

I think you're probably right about that, John. I think we agree on that. All right. So, then another tailwind that's been very topical, Annex 1. A lot of details in the regulation, but you all have mentioned it's an opportunity for some legacy customers to upgrade to high-value products. I think there's a variety of things biopharma can do to comply with Annex 1, so could you maybe talk about how does upgrading to your high-value products helps these customers?

Cindy Reiss-Clark
Chief Commercial Officer & Senior Vice President, West Pharmaceutical Services, Inc.

A

So just to, I guess, familiarize everybody with what we mean by the European GMP Annex 1, it's basically a guidance. It's a regulation that is requiring those companies filling sterile medicines that they have a documented contamination control strategy. And so, what this is kind of requiring them to do is to think about how they manufacture, the kind of equipment that they manufacture with, the environment as well as how they introduce – like our components, how they introduce and integrate our components onto their manufacturing line and in their environment.

And so, this is, in essence, the value proposition of our HVP portfolio. So from a biologic perspective, our biologic customers, they're already anchoring high, at the highest level of our HVP. So, they're already using a laminated coating like FluroTec or a NovaPure environment, but they may want to add additional quality steps like further camera inspection, or introduce it to a different packaging configuration that would better seamlessly help them integrate it into their line.

Where we see a big opportunity is in our pharma and generic companies where we still have a high proportion of our components that are just standard, meaning that there are molded components that we ship to the customer and they do the washing and sterilizing in their own facility. And so, this opportunity, as they're looking to upgrade their facilities to meet the regulatory requirement, that's where we see an opportunity that they may want to invest in the line itself and the equipment needed versus doing those steps.

So, currently, we have about 200 projects that are in various stages with our customers. Some of those customers, as I said, are biologic customers that we're just looking at packaging configurations, but we do have customers where we're in the early stages of shifting their standard component into a higher value product processing.

Jacob Johnson
Analyst, Stephens, Inc.

Q

Those 200 projects are Annex 1 related projects?

Cindy Reiss-Clark
Chief Commercial Officer & Senior Vice President, West Pharmaceutical Services, Inc.

A

Annex 1 related projects.

Jacob Johnson
Analyst, Stephens, Inc.

Q

Okay. I guess, the counter to it, they could do washing and sterilization on their own, so why wouldn't somebody switch? Is it just preference or are there any commonalities of the – people who are looking to upgrade versus the people who are not?

Cindy Reiss-Clark
Chief Commercial Officer & Senior Vice President, West Pharmaceutical Services, Inc.

A

So, I think, one, it is a regulatory requirement that they're going to comply. Obviously, how they put those strategies in place within their own manufacturing, we've got some customers that are looking to maybe outsource the – outsource to contract manufacturing organizations, where we may already be supplying a different high value product to the partner that they would move to. But really, regardless, they're going to have to upgrade their facilities to comply. And so, it's really about like how do they want to make those investments.

Jacob Johnson
Analyst, Stephens, Inc.

Q

Yeah. And then, you mentioned 200 projects underway right now, but this regulation went into effect last year.

Cindy Reiss-Clark
Chief Commercial Officer & Senior Vice President, West Pharmaceutical Services, Inc.

A

Last year.

Jacob Johnson
Analyst, Stephens, Inc.

Q

So, obviously, people are grappling with how to deal with this. How do you think about the timing of those projects being implemented?

Cindy Reiss-Clark
Chief Commercial Officer & Senior Vice President, West Pharmaceutical Services, Inc.

A

Well, I think, to your point, they still have to convert, right? So...

Jacob Johnson
Analyst, Stephens, Inc.

Q

Yeah.

Cindy Reiss-Clark
Chief Commercial Officer & Senior Vice President, West Pharmaceutical Services, Inc.

A

And we've seen this. The regulation went into effect in August of 2023, and we had some early adopters that were already shifting their products this way over the course of couple years prior. And then we do have customers that we're working with now and we have been working with them over the past 12 to 18 months. So, we certainly see this – we certainly see that, depending upon how big of a change it is for them, that this could be anywhere from a 12- to 24-month time period before you see the effect.

Jacob Johnson
Analyst, Stephens, Inc.

Q

Got it. And are there people in different stages, like 12 to 24 months to implement, but it doesn't mean 24 months from now that will all be done?

Cindy Reiss-Clark
Chief Commercial Officer & Senior Vice President, West Pharmaceutical Services, Inc.
A

Correct. Exactly.

Jacob Johnson
Analyst, Stephens, Inc.
Q

Okay.

Cindy Reiss-Clark
Chief Commercial Officer & Senior Vice President, West Pharmaceutical Services, Inc.
A

Yeah.

Jacob Johnson
Analyst, Stephens, Inc.
Q

Any other questions? All right. So, we've talked about headwinds. We've talked about tailwinds. So, let's talk about margins. You guys have mentioned the potential to get back to 2023 profitability levels, as destocking subsides. I know, as Chad mentioned, too early to comment on 2025, so I won't ask you when, but how confident are you that, when we see destocking abate, we'll see that outsized kind of margin outperformance? And then, are there any potential offsets, things like incentive comp, et cetera, that could make margin expansion more muted in the near term?

John Sweeney
Vice President-Investor Relations, West Pharmaceutical Services, Inc.
A

Yeah. So, we're crossing two time periods here, which is longer term and FY 2025. So, I'll try and like navigate between those. But destocking abating is clearly a tailwind along with Annex 1, GLP-1 growth, and continued launches in biologics. So, we're optimistic about the business and where it's going, and we think long term, things are in place.

In terms of headwinds, that's more of an FY 2025 comment. Our performance this year in FY 2024 is below normal, so you could have some incentive compensation lower level this year, higher level next year. And then, the other thing I'd spike out is we've had a lot of CapEx, so depreciation flowing into the margin in 2025 as well could be another headwind.

Jacob Johnson
Analyst, Stephens, Inc.
Q

Okay. Any other questions in here? John, we covered everything I wanted to cover. I don't know if you have any last words. Otherwise, I'll just thank you guys.

John Sweeney
Vice President-Investor Relations, West Pharmaceutical Services, Inc.

Well, thank you very much. It's great to be here. Real pleasure. And we appreciate your interest, and your efforts, Jacob, so...

Jacob Johnson

Analyst, Stephens, Inc.

Yeah. Cindy, Chad, John, thank you for being here with us.

Cindy Reiss-Clark

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

Thank you, Jacob.

John Sweeney

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

Thank you.