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MANAGEMENT DISCUSSION SECTION

Scott S. Wang
Analyst, Morgan Stanley & Co. LLC

Let's get started. Thank you all so much for joining us this afternoon. My name is Scott Wang and I work on the Medical Technology team here at Morgan Stanley. We are very pleased to have with us West Pharmaceutical on the day three of our conference, and we want to welcome Eric Green, the company's President and CEO; and Bill Federici, West's CFO.

Before we get started, I'm obligated to mention that all important disclosures can be found on the Morgan Stanley public website or at the registration desk. And so with that, let's get started. I think, Eric and Bill, I want to start off with talking about kind of 2Q results and the 2017 guide, and go through some of that before we move to some of the [ph] strategic (00:44) questions.

QUESTION AND ANSWER SECTION

Scott S. Wang
Analyst, Morgan Stanley & Co. LLC

Q

Starting with the – kind of second quarter results and the lowered annual guidance, which was rather, I think, uncharacteristic of West based on my recollection over the past three years. Perhaps we can start with a review of your Generics business which has seen, kind of, a couple of quarters of decline due to kind of manufacturers running down their safety stock, a dynamic that you guys talked about. Where are we in that process? And how much visibility do you have into those customer ordering patterns?

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

A

Right. Well, first of all Scott, thank you for the invitation to participate in the Morgan Stanley Conference, it's been a productive day today. I do want to address the Generics situation that we have at West. Generics is roughly around 22% of our overall consolidated business at the company. When you start taking a look at the performance, in particular, in 2017, we had some headwinds of our larger customers doing a safety stock reduction, based off of the last year's demand pull that they had from our facilities. We had some longer lead times two years ago and we're starting to see our operations really took charge to drive the lead times down as [ph] our made to order shop (01:53) produced products for our customers.

So, now we're at a very comfortable level of delivery times that our customers are now feeling confidence in driving down their safety stocks, particularly with our larger customers within Generics. Visibility is always going to be a challenge on the – precisely what the supply chain holds of our products in there as a material for the finished goods. But, for the most part, we have really good communication that's been really stimulated by this approach being more market-led, where our supply chain team is speaking with our large customers supply chain team truly to work through these issues. So we believe, the safety stock reduction is going to dissipate throughout this year, and be back to normal trends in the latter part of this year.

Scott S. Wang
Analyst, Morgan Stanley & Co. LLC

Q

So [indiscernible] (02:42) following up on that, comps on the Generics business will be easier heading into the back half of this year with kind of high-single digit growth in 3Q 2016, and a mid-single digit decline in 4Q 2016. That said, when I look at your guidance, it kind of implies low- to mid-single digit declines for back half of 2017. So, that would suggest to me that either guidance is conservative or you're expecting growth to kind of further decelerate on [ph] a comp-adjusted (03:07) basis? What is it exactly?

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

A

We're seeing in, as I just mentioned, in Q3 or the back half of this year – particularly in Q3, we'll see that safety stock reduction dissipate. So, therefore, we'll start seeing the growth back to the more normal channels in Q4. So, we'll be back to the normal run rates that we should expect, latter part of this year.

Scott S. Wang
Analyst, Morgan Stanley & Co. LLC

Q

All right. So, we turn our attention away from Generics business to kind of Contract Manufacturing side of things. Historically, this has been a kind of a slower grower, relative to kind of some of the other divisions that you have. But it's – it's seen multiple quarters of double-digit growth since 4Q 2016. Your guidance calls for this to be kind of – back to kind of high-single digits for the year, suggesting that growth is going to decelerate into the back half. What drives that view and how much visibility do you have into that business?

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

Sure. I want to, first of all, say that our Contract Manufacturing business is roughly around 20% of the overall business, and I'm really pleased on how the focus has changed from – for the last several years, to be being focused not just in healthcare but also on in consumer product goods.

We have de-emphasized CPG and the fact is we are – continue to serve existing customers but our investments and our focus is around the healthcare space, particularly in Pharma and med-device space. That business, as you rightly said, it's been, in the last few quarters growing double-digits and that's because of the investments we made particularly around manufacturing large [ph] rounds (04:43) of insulin pens, looking at the next generation of continuous glucose monitoring device, housing systems and other types of products.

So, we believe, long-term, that business should be around mid-single digits, while the markets are low- to mid-single, it continues to grow on faster than markets of consumer – Contract Manufacturing. And we're pleased with the progress and we'll continue to capture more business, more investments and continue to grow that business.

Scott S. Wang
Analyst, Morgan Stanley & Co. LLC
Q

So, let's shift to some of the divisions that should be stable or getting better in the back half. Namely your Pharma and Biologics businesses. How confident are you that you can hit your growth targets here and what you see are the key drivers of growth in these segments?

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

Yeah. In the Pharma – particularly in that business, that business is around 35% of the total company. That market, on a unit dynamic, is relatively flat and actually slightly down from a market perspective. At West, we've seen slightly faster growth. We believe the – our performance should be around mid-single digit. I know we've been growing faster than that for the last several quarters but, long-term, we look at mid-single digit growth.

There is two elements to that. One, we continue to support the small molecule – the pharmas with the small molecules and, particularly, around standard packaging, converting to a high-value products. We're seeing more interest in taking the existing molecules and moving them up the value curve, because of the issues around quality and delivery to their end patients. So we're very comfortable in that particular area.

In the areas of Biologics, that business is roughly around 21%, 22% of our business. We feel that that business – the market unit volumes were up to around mid-single digit and we expect that business to grow high-single or low-double over a period of time. Again, we have pretty strong track record.

When you look at the top 50 biologic molecules in the marketplace today, we base this off of IMS data, ourselves, West, and our partner, Daikyo, who we represent outside of Japan, are on our – all 50 of those molecules. We mentioned, recently, that last year and also the first half of this year – all Biologics introduced and are approved by the FDA, West again is on 100% of those molecules. So, not only are we on current molecules in the commercial status, but also new molecules coming to the pipeline. So we feel comfortable. Again, there's some oscillation from quarter-to-quarter due to launches and with timing the launches but, overall, we're in a very healthy position in the Biologics space.

Scott S. Wang
Analyst, Morgan Stanley & Co. LLC

Q

So taking a little bit deeper on Biologics [audio gap] (00:07:31 – 00:07:37) from inventory build for biosimilars in – to the extent that biosimilar adoption in U.S. is slower than expected, how exposed are you to kind of some of these inventory dynamics and what do you see as your – can Biologics accelerate growth in the back half of this year?

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

A

Well, when we take a look at our current demand patterns in the biosimilar space, it's relatively small in part of a market perspective. The opportunities are tremendous but, right now, it's relatively small in our view. When we look at the Biologics, again, there are elements around commercial delays that we experience working with our customers. But since we are primarily the key supplier of elastomers and seals in this particular space, we feel comfortable about our market position. We do see an acceleration towards the latter part of this year, just like we saw with our – we're going to be seeing with our Generics and a lot of that is really driven by our high-value product availability and be able to produce the products for our customers. So, again, the biologic position that we have in the marketplace is strong. And we continue to see continued interest especially in the areas of Phase 1 development all the way into commercialization.

Scott S. Wang
Analyst, Morgan Stanley & Co. LLC

Q

So, help me out here. Look, we take a step back and we think about West as an overall business. How should investors think about that weighted average market growth rate for your various divisions [ph] in the overall (09:01) corporation because, if I did some rough math, I think I can get to kind of a weighted average market growth rate probably in a high-single digits kind of based on high-value components maybe at 40% of sales growing mid- to high-single, standard packaging of 35% of sales growing to mid-single, and delivery devices growing kind of low-double to high-single digits, and Contract Manufacturing of 20% of sales growing two years point mid-single. Do you roughly agree with those numbers and where do you think you can do a little bit better?

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

A

I think if you take a look at our business and, we've said historically, consistently that we're looking at organic growth rate of the core business between 6% to 8%. Again, organically, long periods of time. The way they – the construct of that is, we receive about a net price contribution about 1% in last five years. Every year, consistently. And we believe that's pretty typical for West.

The volume component and – we talked a little bit earlier about the different market units. The mix in the volume market demand is roughly around 2% to 3%, so that's the volume component. And the balance, to get to 6% to 8%, is really around the conversion from our standard packaging into the high-value products. Again, the economics for West, but also for our customers, are very compelling and we continue to see that growth more long-term.

So, if you really break it down, what is the key growth driver of West more long-term? It is really around the conversion towards high-value products. Today, in our – we produce about 41 billion components annually throughout our West network. Of which, 32 billion of those components are around elastomers and seals. And when you look at that, only 17% are within the high-value product portfolio. So the runway and the opportunity to convert more of our existing customers on molecules that are currently in the marketplace and/or new molecules coming to the pipeline is very positive.

So that's how we see the growth of the business to get us to that 6% to 8% with some optionality of new innovations that we're continuously working on such as SmartDose, SelfDose, self-injection systems and also new launches such as NovaPure, the Quality by Design, the highest level of quality in the marketplace. So these are the constructs to get us to that – those growth drivers.

Scott S. Wang
Analyst, Morgan Stanley & Co. LLC
Q

So, let's talk about that high-value products kind of growth driver. In 2015 and 2016, as lead times for high-value products increased, West embarked on a capacity expansion – on pretty significant capacity expansion efforts. Now that lead times are coming back down, can you give us any color on what your capacity utilization there is at the moment, and what you expect it to be over the next couple of years, especially with Waterford, Ireland coming on line in a couple of years?

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

Bill?

William J. Federici
Chief Financial Officer & Senior Vice President, West Pharmaceutical Services, Inc.
A

Sure. So capacity utilization in general, in our [ph] other (12:02) facilities, our proprietary [indiscernible] (12:04) facilities is running around 80% or so, in general. There are some that are a little higher, some of that are a little less. Things like Kinston in North Carolina, which has gone through a significant expansion, as you suggested, is less than 100% and, in fact, less than 80%, it's closer to about 50%. Waterford, Ireland is really just – just finished the validation phase, so capacity utilization there is very, very low but is expected to grow over time.

The thing for us to remember is that, we have to look out years in the future and focus on customer demand for those high-value products and start the process of building today. Those facilities need to be, not only constructed, the lines actually implemented and validated on our principles, our standard operating procedures for GMP and then have the customer validate their own product on those lines. So, within facilities. So, it's a – it tends to take a long time for these new facilities to come up to speed, but clearly have seen the demand, as Eric described, the high-value product demand and are building towards that as we go.

Scott S. Wang
Analyst, Morgan Stanley & Co. LLC
Q

So, if we look a little bit deeper into kind of some of your newer technologies and the growth contribution that you're seeing from that. Your Crystal Zenith technology or CZ tech and your SmartDose self-injection devices have really started to deliver meaningful growth in these past few quarters. And I think you delivered roughly, call $10 million of [ph] rads (13:39) in 2Q versus probably $6 million in the same quarter in 2016. Can you give us some color on what is driving that growth, and how much of that growth is coming from commercial product launches versus more of clinical trial and stability trial work?

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

A

Yeah. It's a great question, Scott. So, when you look at that part of the portfolio, we've been working on – with customers for a number of a years in the areas of Crystal Zenith and also SmartDose. We feel pretty comfortable that the uptake especially in the areas of the three Crystal Zenith formats have been approved by the FDA. So, now they're in the marketplace for commercialization. The SmartDose, again, late last year have [ph] been proved (14:18) as a combination device. Now, it's in the marketplace as a commercial product. And so, we've started to – seeing the ramp up throughout the 2017 is that – that's a really direct correlation to the commercialization of these products. By saying that, we're very encouraged that this, in the last quarter, as we communicated that just in the SmartDose device itself, we added two additional development agreements signed with two different biopharma companies. Again, the interest level continues to rise due to the fact that we and a partner were able to get it approved and get into the marketplace and it really creates the differentiation as they look at launching new Biologics into the marketplace. Same situation with Crystal Zenith. These are small numbers, frankly, when you look at the total business at West, but these are an – important investments in areas of focus for us as we continue over the next several quarters, in the number of few years to get some meaningful revenues to contribute to the growth of West.

Scott S. Wang
Analyst, Morgan Stanley & Co. LLC

Q

So if I were thinking from like the client side of things and the value proposition that these new technologies offer, do you see any potential for kind of a part – packaging kind of arms race between certain clients that are standardizing onto SmartDose for CZ technology and others that are using kind of older generation tech? Like, do you ever see any potential for that and to what extent can you maybe possibly encourage some of that competition?

William J. Federici
Chief Financial Officer & Senior Vice President, West Pharmaceutical Services, Inc.

A

Yeah, I think that the important thing to think of, Scott, is that West has been known for 90 plus years as being the expert in how drugs and materials interact. All of these drugs, that the primary drug container, whether it be a vial or a pre-filled syringe or an auto-injector, the cartridge within them are regulated into the product. What we're seeing now is a move by our customers, especially in the Biologics space, towards trying to integrate that primary drug container into a delivery system that can be used to self-administer for the patient's injectable drugs. So, a very, very challenging thing for the customer that we're then trying to be a good partner and support them in that regard of trying to help them be able to figure out what those combined – what those combination product should be and how they get them through the regulatory process.

So, I wouldn't call it an arms race but, certainly, we're seeing a lot of customers who are coming to us looking for differentiation. So, either a patent is close to expiring and they're looking to refresh the product through some new modality of delivery or they're actually looking at a new product being introduced and trying to figure out how do they take advantage of that market in terms of differentiating their product to be able to either, A, self-administer and get better compliance, better drug adherence, those kind of things; or B, looking at the profile of the drug and saying, gee, if it's currently administered in a hospital or in a doctor's office and I can give it to the customer, the actual patient themselves to self-administer, what does that do to the overall healthcare costs?

So there's a – there are multiple benefits here that customers are looking at, trying to differentiate and also trying to extend patents. So we – because we are integrated into the product and because we are such a vital link in the regulatory process, have not only the ability but our customers are coming to us asking us for their help – for our help in their journey there. So, we will continue to do that. We see it as a very important part of our process of helping customers with solutions and we'll continue to do so.

Scott S. Wang
Analyst, Morgan Stanley & Co. LLC

Q

No. That sounds very promising, Bill. I want to shift from growth now to kind of talking about margins a bit, I want to beat you up a little bit on the 2Q margins. Margins last quarter took a year-over-year step down, I think you had mentioned something like 40 bps due to higher material costs.

William J. Federici
Chief Financial Officer & Senior Vice President, West Pharmaceutical Services, Inc.

A

Yes.

Scott S. Wang
Analyst, Morgan Stanley & Co. LLC

Q

A point due to volume and mix, and probably 170 bps due to plant overhead and other costs. For 3Q, kind of given your normal seasonality and the summer shutdowns for preventative measures and preventative maintenance, I imagine the room for kind of significant margin improvement is limited. So, if I look at your overall guide, it kind of suggests to me that you [ph] could need (18:41) some pretty significant margin expansion in 4Q to kind of hit your goal of [audio gap] (00:18:45-00:18:52)

William J. Federici
Chief Financial Officer & Senior Vice President, West Pharmaceutical Services, Inc.

A

It's a great question. Thank you for that. So, when we look at the construct of our sales as we described – as Eric described earlier, and the margin impact of those sales, we have a very, very high correlation between high-value product growth and margin expansion. As you saw in the first half of 2016, when our growth rates were way above a high-value growth – high-value product growth rates were way above that kind of high-single to low-double, we were actually closer to 20%. You had a significant margin expansion from those – from that high lift of high-value products. In the second quarter alone in 2016, that was a 140 basis points in margin expansion. Growing way above, as Eric said that, that kind of 2% to 3% volume growth that we would expect in our overall markets.

So, you fast forward to the second quarter of 2017 and – where the high-value product growth was less than that high-single, low-doubles, i.e. 2%, and it generated a margin headwind of a 100 basis points. So 240 basis point margin swing.

So, there is a little bit of a kicker that we'll get in there in Q3, and that we've out-licensed some technology in the safety space to one of our partners that the R&D costs were incurred in the past and the operating margin will be benefit – not cost of goods, but the operating margins will be benefited from the – from our sale of that technology, that's a piece of it. But you're absolutely right, when you look at the fourth quarter and we expect, as Eric described earlier, that both Generics and Biologics are going to return to a more normal growth rate of that high-singles and hopefully low-doubles that we will continue again then to see that kind of margin expansion that we expect to see from those high-value products that are associated with those progress.

Scott S. Wang
Analyst, Morgan Stanley & Co. LLC

Q

So, Bill, let me ask you this then, given kind of this emphasis on the fourth quarter, to what extent are you facing any kind of potential disruption from the hurricane impact, especially in Texas, given how much from resins and how many – how much plastic elometers (sic) [elastomers] that you guys actually use?

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

A

Yeah. I'm going to first comment on this, because we have – when we looked at Harvey, that particular hurricane from a employee perspective, we didn't – we don't have any facilities in Texas. But when we look at Hurricane Irma, we have 600 employees in Puerto Rico and also in Florida that were in direct line on the path. And, fortunately, none of our employees and/or their families had any injuries which is the first thing. Second thing is, our Puerto Rico facility and St. Pete and also Clearwater in Florida, all three facilities are up and running as we speak today. Obviously, a couple days or a few days of delays as we're going through the storms but it's fortunate that we were able to withstand the storms, and our operations are in good position right now. But, Bill, you wanted to speak little bit about the...

William J. Federici
Chief Financial Officer & Senior Vice President, West Pharmaceutical Services, Inc.

A

Yeah, sure. So, Harvey – and you're absolutely right Scott, a lot of the petrochemical-based products come out of the Gulf. And, obviously, a lot of those facilities were either – they're – were restricted or actually shut down during that time and are slowly being brought back up. We were – had the fortune – fortunate circumstance of having a warehouse that is north of Houston, where we were storing excess capacity, we have it – we have – we keep excess stock of that, particularly raw materials that are coming out of the Gulf and we're able to draw from that almost immediately after Harvey passed.

So, in the short-term, no issue at all for us. Certainly in the longer term, if these facilities, if these refining facilities are to remain shuttered or constricted in terms of their ability to supply long periods of time, we're not talking weeks here, we're talking months, that would have an impact not only on West, but on the entire, I think, supply chain, that uses petrochemicals. Certainly, we don't think that's the case, but that would be the kind of construct that we would have to work in at that point in time. But for now, we've got – we are receiving materials and we feel very comfortable with our supply chain.

Scott S. Wang
Analyst, Morgan Stanley & Co. LLC

Q

And then a quick question, thinking longer term on margins, your 2020 operating margin goal of 19% to 23%, which is up from 15% in kind of 2016 – can you comment on what are the key factors behind hitting those targets and help us think through whether that's price volume mix, new products [ph] and (23:35) things of that nature?

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

A

Yes, so I think it's – just to, again, I'll start with the top line and then we can move into the margins. When you start to thinking about price for West, net price contribution is about 1%, the volume component is roughly around 2% to 3% and the rest is mix shift. I want to spend a little bit of time on mix shift, because that's the high-value product growth. Growing the high-value product portfolio a high-single, low-double and, as I mentioned earlier, it's pretty consistent what we have been doing and there is market pull to continue with that type of momentum over periods of time. It delivers about 50 basis points to 70 basis points of gross margin expansion.

In addition to that, we have initiatives through the globalized operations that we have put in place over the last year and a half, and that leadership in that organization is really driving lean in operating efficiencies to really give us another benefit to get us over the 100 basis points per year. When you start to thinking about SG&A leverage, we do believe there is some opportunity there, but I think most of it, you're going to see driven from globalizing the operations. And, just to remind everyone, we have 28 manufacturing sites around world and – however, we've been running them quite well independently. This is the first time we've actually pulled them all together under one umbrella and this is going to give us the leverage we need all the way from our direct to indirect spend to the operating efficiencies, how we deploy our capital internally. These are – this is a big lever that we can pull to really continue to drive that performance.

Scott S. Wang
Analyst, Morgan Stanley & Co. LLC

Q

Any questions for Bill or Eric? There doesn't seem like it.

William J. Federici
Chief Financial Officer & Senior Vice President, West Pharmaceutical Services, Inc.

A

Yes.

Scott S. Wang
Analyst, Morgan Stanley & Co. LLC

Q

Okay. Well, let's turn our attention to kind of capital deployment which is always a favorite topic. Thinking about capital deployment in the past, West has largely favored kind of bolt-on acquisitions, such as – things like the Tech Group and Medimop and you made the occasional equity investment in things like NanoPass. Can you discuss your views around the overall M&A, and are there opportunities that you see to kind of add to your existing capabilities?

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

A

When you think about the primary containment all the way to delivery devices, we have a pretty good position in many of those areas. I would argue, one area that we have an opportunity to expand around the technology is, again, bolt-on technologies is around the injectable space, the medical device space. And so, we believe there's opportunities to identify new technologies, similar to what we did with SmartDose and with SelfDose, with NanoPass, whether it's equity investments or peer acquisitions into the West portfolio.

But these will be bolt-on, tuck-ins that we can leverage to technology. I think if you look at our balance sheet and how we use our cash today, our primary focus has been, historically, and we continue to believe in this, it's fueling that organic growth. [ph] And particularly, the one we believe is there's a (26:40) nice healthy runway ahead of us with our portfolio. I think we – obviously, we look at dividends consistently over the last – for the 25th year now of increase in it. And then we look at share buyback and we have really used that opportunity to keep the share count neutral. And we have a little bit of debt, but our debt is less than our cash. So we're in a very good position there at West. So, it is looking at the M&A bolt-on technology capabilities in the injectable medicine space, absolutely.

Scott S. Wang
Analyst, Morgan Stanley & Co. LLC

Q

So the flip side of M&A in my mind is kind of potential spin-out in divestures. West Contract Manufacturing business, doesn't – frankly, I don't think it gets as much investor attention as the proprietary product side inhouse. And you know, it has lower gross margins than proprietary. How does Contract Manufacturing fit with your overall strategy and, obviously, growth in recent quarters have been great but, historically, it's been a little bit of growth laggard. So, how do you see that fitting in, in terms of the overall shift for West into higher growth end markets?

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

What's really exciting about the Contract Manufacturing business is really that, that laser focus in the healthcare space and what we're finding now is having more in-depth discussions with the large pharma organizations there that have pretty healthy pipeline of molecules that use West elastomers. And to give you an example, when you look at a insulin pen, you can look at the housing that – which we manufacture, but when you really look at it – the plunger and the insulin sheathing at the end is West proprietary products. So we have opportunities that have a very different conversation now the way we've organized our Innovation and Technology Team, way we organized our commercial organization to think differently and how we present ourselves to client.

And so, I think when you look at that, just to use one example, the diabetes market where a – roughly a little bit less than 10% of our business is in that particular space. Yes, absolutely, Contract Manufacturing has a very strong position there. So does our elastomer business. So when we're talking to clients in regards to their diabetes strategy, we're looking at the whole list – the entire capability that – what we can bring at West, whether it's designing, mass engineer – engineering a mass manufacturing through robotic systems of devices and also the primary containment with that molecule is very important and that's what we can bring to the table.

Scott S. Wang Q
Analyst, Morgan Stanley & Co. LLC

So, in our kind of final minute here, I just want to close with talking about kind of pricing. And, historically, West has had an ability to drive a little bit of incremental pricing in year-over-year, but as pharma pricing overall comes under greater political scrutiny, do you see any pressure from your customers to kind of find cost savings in packaging and have you seen your pricing power erode at all in the past couple quarters?

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

I would say our pricing – our net price contribution is relatively consistent. And the one way to look at this is when we get engaged in those type of discussions and whether they come to our manufacturing facilities, or we go to their locations, the conversation quickly turns from how do we take standard packaging materials and move into the high-value products and really taking cost out of their system. And we've been very successful when you look at our track record over the five years. That's really what we're doing in addition to a higher quality product, but we're able to assist our customers of taking costs and operational efficiencies and put them into our facility and help them in the long run.

So I think that's what – that's really the conversation we're having versus what is the price per unit going forward, and that's the direction we intend to take not just this year, next year but a number of years ahead of us.

Scott S. Wang Q
Analyst, Morgan Stanley & Co. LLC

That's very helpful. I think with that, we're out of time. Thank you, Bill. Thank you, Eric.

Eric Mark Green

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

Great. Thank you very much.