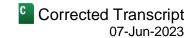


07-Jun-2023

West Pharmaceutical Services, Inc. (WST)

Jefferies Global Healthcare Conference



CORPORATE PARTICIPANTS

Eric Mark Green

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

Quintin John Lai

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

OTHER PARTICIPANTS

David Windley

Analyst, Jefferies LLC

MANAGEMENT DISCUSSION SECTION

David Windley

Analyst, Jefferies LLC

All right. Hi. I'm Dave Windley with Jefferies Healthcare Equity Research. It's great to see a nice crowd in the room here early on Wednesday morning. Appreciate your attendance and interest in our conference. I've lost track of the number of years, but it's a lot for me.

And we're very pleased to have West joining us again also for a number of years. And we thank you for that. The company's management team is here to talk about the business. We're going to have a little fireside chat and run through a number of topics. We may have some time at the end, but I can't promise anything because you know I can get a little long winded.

So anyway, I appreciate Eric and Quintin and Chad being here, so thanks very much.

QUESTION AND ANSWER SECTION

David Windley

Analyst, Jefferies LLC

So Eric, I'm going to kick it off. I'm going to start on – we probably normally start with demand, I'm going to start with capacity first. So I'm going to start on the supply side a little bit first. You've talked – your CapEx budgets have been significant. You've talked about a number of capacity expansion plans that you guys have had in flight, both that have come online and ones that are still invested. In that context, you've pointed at NovaPure plungers a lot, but I wondered if you could just kind of talk about the waterfront or the landscape of the things that you've been investing in to bring forward into the operating business.

Eric Mark Green

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

Excellent. Well, Dave, thanks – first of all, thanks for the invitation to the Jefferies conference. We've always enjoyed attending, and looking forward to get started today with this discussion.

Yeah, absolutely. So the area that we are really focused on our CapEx model is, let's put it in context. Right now, this year, we're looking at spending about \$350 million. This is slightly higher than we had in previous years. And the profile of the spend that we currently have is roughly greater than 70% of that spend is around growth. And I think for those of you who have been following West for a number of years, realize that it typically was around 50% growth. The other 50% is really on maintenance and other infrastructural costs. So there's this heavy slant towards growth, and the growth is really driven by demand.

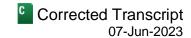
The way that we look at CapEx basically is we have a multiple – multipear plan that's scheduled out. And as demand oscillates a little more aggressive, the accelerated, we'll bring it in. If we're not seeing the uptake as fast, we will push it out. Right now, we're seeing – and if you look at the business, the performance of the business without COVID, the base business has been continuing to grow in double digits. This year, we've guided that our proprietary business without COVID is growing in the high-teens, and really fueled by Biologics. And therefore, we are continuing to invest heavily in the higher end or high-value products.

You mentioned NovaPure. In Kinston, North Carolina, as an example, we've doubled our NovaPure plunger capacity based on current and near-term future demand by our customers. In fact, I would argue that the demand is outstripping our supply in the near term that we need to correct. And that, therefore, the investments we made that you will see online this year, the current assets have been validated and we'll be able to be in commercialization for the second half of 2023.

So that's doubling the capacity of NovaPure plungers. But do we think that's going to be the end state? Absolutely not. We are already looking at a series of other waves to be able to support the entire portfolio throughout our network. We'll stay ahead of the curve because when we are put in a situation where we have to prioritize, that's not good for our customers, the patients, and also for West. So we want to stay on top of this.

So that's how we look at the investment thesis. I'm excited that we're seeing better returns on these investments because of the higher end of our HVP portfolio. It's more of a brownfield or modular expansion approach from our centers of excellence sites. So therefore, the returns are faster than what we have historically seen. And so, I'm pleased with the direction we're going.

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David Windley

Analyst, Jefferies LLC

Excellent. So I want to dig into a couple of pieces of that. So you talked about higher returns. I mean, it's apparent to me that the price points on your high-value products are higher, that the margins are higher, so that would yield that. But I presume the investment is also higher. Is it – but still, the math works out that like the dollars of revenue per dollar of CapEx investment is better.

Eric Mark Green

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

Yeah. We don't specify the dollar per dollar invested because when you think about our capital investments, none of the equipment or facilities are dedicated to one product, one customer or one drug molecule. And so, therefore, we are building it from a platform perspective, agnostic to a specific customer, which gives us that flexibility to really level load our operations.

Saying that, why there's a better return is absolutely economics on the revenue side is more favorable than the profits, but what also is the change in our methodology of deploying the capital. I think, historically, you would hear West buying land, building a brand new facility with a six- to seven-year ramp-up with maybe a [indiscernible] (00:05:40) payback in 10 years. That's not the conversation we're having today. The payback, because of modular approach, we've layered in capital the equipment, the processes, maybe site expansion, but we're still leveraging the infrastructure of the site and the management to the site. We're seeing paybacks between two- to four-, two- to five-year type corridor, which is more favorable as we think about our investment thesis.

David Windley

Analyst, Jefferies LLC

Excellent. So the – you pointed out to the \$350 million this year. The company had ramped up and accelerated CapEx even during COVID. So 2021/2022 CapEx numbers were elevated versus prior; and now, 2023 is a step function higher than those years. Is 2023 the peak year? Is it – or do we expect that to moderate from here? Or is demand telling you, no, we still have to push forward?

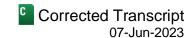
Eric Mark Green

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

The way – so just to make sure that we're level set, the investments we made during the COVID period to respond to the COVID demand, those assets are fungible and being leveraged to continue to help grow the core business. So there's no idle assets that were installed. And there's a heavy emphasis on NovaPure stoppers. Obviously, the washing, sterilization and so forth, it can be fungible to other, like, plungers. But – so I just want to be clear that the assets are being leveraged to support the core growth.

It's difficult to specifically say is \$350 million the peak because of the type of demand that we are seeing or potentially what was seen may require additional investments [indiscernible] (00:07:21). We'll be – we'll continue to be diligent. We do believe, we have stated before, a normal growth of 7% to 9% top line organic would require probably around 7% to 8% of sales CapEx. But as you can see with the last two or three years, the core has been growing faster than that. So it will depend really on the demand more three, four, five years down the road because it does take a couple of years for us to install the capacity, validate and be able to commercialize the lines.

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David Windley

Analyst, Jefferies LLC

Got it. Okay. That's helpful. So then you've commented on demand. You've commented on some of the areas, specific product, NovaPure plungers, for example, and some others where the demand is driving that CapEx spend. In terms of the level of visibility and/or commitment that you have to the projects that you're bringing online, can you speak to the model there, the cadence of when you know you have enough to justify these expenditures?

Eric Mark Green

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

Yeah. That's a good point. When you think about it, we aggregated volume demands from our customers. And as we see the, again, different parts of the product portfolio. And also looking at not just existing drugs in the market with the ramp-up growth, but also new launches that are upon us or anticipated over the next couple of years. As we aggregate that, we take a look at how does that fit in the corridor of capacity based on installed capacity and/or capacities being installed in the next 24 to 36 months.

And that is the basis of the decision point of do we bring forward planned capacity year four and five earlier based on changes? There are certain areas of the business, to be clear, that the growth rate or the anticipated growth rate is greater than we anticipated. And these adjustments do occur frequently with our customers, and we will respond accordingly to support them. But that's an element that – it's a dynamic situation.

As I said earlier, in this part of the business, the proprietary 82% of our company, we do not install capacities for a specific customer or dedicate a line for a specific customer. Contract manufacturing is very different. Those are dedicated for product and customers. But this – the majority part of our company is not. So we're – it's an aggregation effect, and we look at the trends of the market. We look at the forecasts of our customers. Again, they give us great – good visibility over long term. And then we adjust as the market demand of their products are modified, either up or down, over time.

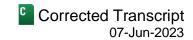
David Windley

Analyst, Jefferies LLC

And in that context of understanding that it's not as if you have a customer committing to a take-or-pay on a specific line or a specific amount of capacity. So with that caveat, you do – I would think, you do have customers that are giving you forecasts and saying this is how much we think we're going to do. You have customers that have spec'd into your product. And so, you know that it's your demand win or it's your demand to receive. Again, like, how much commitment, visibility does that – you aggregated. I get that. But are they telling you that you're – are they – I guess, how far out are they telling you that this volume is going to be yours?

Eric Mark Green Chairman, President & Chief Executive Officer, West Pharmaceutical Services, Inc.	A
A number of years.	
David Windley Analyst, Jefferies LLC	Q
Okay.	

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Eric Mark Green

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

In our business, David, when you think about – once we're on the molecule, we're always on the molecule. And it's – and I use the word, it's almost binary. So unlike the device contract manufacturing business [ph] and (00:11:28) proprietary for us, we have visibility of the full volume of our client. And therefore, it is how do we stay ahead, use multiple sites, identical processes, identical product, but use more than one site to be able to level all the operations more effectively, to give them optionality on which side we can pull from. But more importantly, we are looking at aggregating the information.

And there are times where there are particular launches that might outsize the current volume we produce. To give you an example, NovaPure stoppers has been the area that we've historically been focused on. With the accelerated growth in COVID, it was another accelerant to that. So we had to make some significant volume adjustments in that area.

NovaPure plungers was probably a [ph] lagging (00:12:21) effect. And as you know that we launched NovaPure back in 2015/2016, takes a few years to see the market. That's where we're very good at. You win early on. And as they go through different phases and clinical trials, they get into commercialization, then that's when the volume kicks in for West.

And so, what we've been seeing in the market and what we're seeing now because of the rise of the Biologics, are a high level of participation rate in Biologics. And then there's other therapy classes that are gaining traction in the market right now that we need to be able to respond to. So the one area of our portfolio, I would say, has been under the most pressure has been around the plungers – high-value product plungers.

And hence, the reason of the concerted effort of investments in that area to alleviate that pressure. But we know that we're not done. There will be probably additional investments built to stay ahead of the curve to be able to support multiple launches.

David Windley

Analyst, Jefferies LLC

Excellent. So with that, I'm going to transition more directly and we're segueing into demand, which you've done nicely. Biologic pipeline, as you just highlighted, continues to grow at a really rapid pace. GLP-1s get a lot of attention. I'm going to come back to that in a second, forewarning. But I think you've emphasized that the growth is fairly diverse across that Biologics pipeline. So maybe you could talk, elaborate a little bit on some of the categories of opportunity that you just kind of alluded to?

Eric Mark Green

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

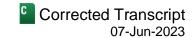
Do you want to cover that?

Quintin John Lai

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

Sure. If you look at – and to your question specific on Biologics, first of all, legacy drugs continue to have good uptake and the volume growth is good. If you look at the new drug approvals that have occurred over the last decade, quite a few of the bigger impacting drugs that are injectables and a lot of those are biologic in nature, and that incremental volume that we're getting comes at good ASPs for us because they've adopted our upper end of

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high-value products, FluroTec and NovaPure. And the ones that have been approved recently increasingly are moving toward NovaPure.

So what I'd refer you to, I mean, is just take a look at whatever data that you – IMS data on the volume uptake and we're scaling with that. And then as some of these drugs have been launched, yeah, they expand indications. They move into new geographies. When they move into new geographies, they typically stay with the format that they use here in if they were approved first in the US. And so, again, that's where that incremental volume continues to accelerate for us. And so, it is not just one category, it is multiple categories that are driving our Biologics business.

David Windley	Ω
Analyst, Jefferies LLC Thanks. Would you care to name any of them?	
Quintin John Lai Vice President-Strategy & Investor Relations, West Pharmaceutical Services, Inc.	A
No. No. I mean	
David Windley Analyst, Jefferies LLC	Q
That's a clear answer.	
Quintin John Lai Vice President-Strategy & Investor Relations, West Pharmaceutical Services, Inc.	A
like I've said, we try to stay away from talking about specific customers, drugs we know you're going to ask, Dave.	or disease states, even though
David Windley Analyst, Jefferies LLC	Q
All right. So disease states that would seem benign enough. Okay. So coming back to GLP-1s, obviously an area of very intense attention. It's – kind of these products have been in the market for some time. Wondered if you would context on how West has played with that category, historically, over a longer straight already be contributing to the business?	f an explosion lately. But some of are to comment or give some
Quintin John Lai Vice President-Strategy & Investor Relations, West Pharmaceutical Services, Inc.	A
Yeah So maybe I can just start with that I mean we celebrated our 100th year	anniversary this year. Some of

industry. And so, many of those customers are our longest and deepest relationship customers that we have.

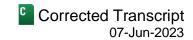
So yeah, diabetes, it's obviously a huge injectable class. And as it's moving, some of these entities are now moving into things like metabolism and obesity. Again, you can imagine, our participation is an evolution with that.

But for us, again, we don't really call out how much of percentage of portfolio it is. But again, they are important

our very first and important customers were in the diabetes space, and we grew up with packaging and developing a package for insulin. And as that industry continued to evolve, we evolved and supported that

customers.

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David Windley

Analyst, Jefferies LLC

Yeah. So I think I'm skipping ahead in my list here. But while we're on this GLP-1 topic, the other dynamic that is perhaps more visible or possible around GLP-1s but is kind of an ever-present question for Biologics is delivery by some route other than injection. How do you guys, Eric particularly, how do you future-proof the business? How do you think about diversifying your sources of revenue like in a GLP-1 class that goes to oral delivery, for example, but more broadly, say Biologics where somebody innovates a noninjectable route of administration?

Eric Mark Green

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

Yeah. I think the discussion around orals has been part of when we think about long-term strategic planning for West. We always ask ourselves what could disrupt the injectable medicine space. And this is a conversation that's been happening for decades. So it's not a new conversation.

And the benefits of one form versus the other is quite significant scientifically. And so, when you think about our position, we are still very heavily focused on injectable medicine space. We do feel that we're very well-positioned to build not just on the core Biologics part of the business, continue to have a very high participation rate, we also feel very strong about the GLP-1 opportunity.

We always – we do look at that, Dave, but we haven't adjusted our focus. And our focus, clearly, we think about improving patient lives, that's really being the global leader of primary containment, delivery devices for injectable medicines, that hasn't changed.

David Windley

Analyst, Jefferies LLC

Got it. Got it.

Eric Mark Green

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

So that's our focus and that's our – the star that we're going after, yeah.

David Windley

Analyst, Jefferies LLC

Got it. Okay. So I want to come back to the comments around participation, the numbers, and you don't update them all that often. But the market share numbers are typically kind of 70-20-10. I'm guessing you probably edged above 70%. But the volume is still heavily bulk from a volume standpoint, not a revenue standpoint.

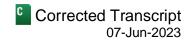
As we get into high-value products, and particularly, as you pointed out, the recent demand that keeps moving up the chain of high value to FluroTec and NovaPure, my perception of the market is that the competition gets – the air gets pretty thin up there that the competition kind of falls away as you move higher into high-value products. So the point that you make about high-participation rate, my somewhat tongue-and-cheek question is, is it less than 100%?

Quintin John Lai

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

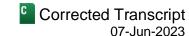
Well, again...

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Eric Mark Green Chairman, President & Chief Executive Officer, West Pharmaceutical Services, Inc.	A
Yeah	
Quintin John Lai Vice President-Strategy & Investor Relations, West Pharmaceutical Services, Inc.	A
we have	
David Windley Analyst, Jefferies LLC	Q
I think it's pretty high. In other words	
Quintin John Lai Vice President-Strategy & Investor Relations, West Pharmaceutical Services, Inc. Yeah.	A
David Windley Analyst, Jefferies LLC	Q
I think it's pretty high. I'm not trying to set the bar for you or anything.	
Quintin John Lai Vice President-Strategy & Investor Relations, West Pharmaceutical Services, Inc.	A
That's right. Look, I mean, there are other suppliers of elastomers and coated elastomere been out for years. And they continue to come up with new generations, as do And really, we just focus on what customers' needs are today and what they are expecially in an ever-changing regulatory environment.	we, and our partner, Daikyo.
And we think that our focus on this one area, as Eric said, I mean, this is all we do. We don't focus on any other rubber application. We don't have any other lines of but from our operations, our quality, our sales, our R&D, it's all focused in this area. An that market focus has put us in this position, which we don't take for granted, and we in those areas.	sinesses. So if you look at d that's – we think that having
David Windley Analyst, Jefferies LLC	Q
So maybe a slightly different approach to the question. Is there a competitive produtoday?	ct to NovaPure in the market
Eric Mark Green Chairman, President & Chief Executive Officer, West Pharmaceutical Services, Inc.	A
There's competitive coated products in the marketplace for multiple years.	
David Windley Analyst, Jefferies LLC	Q
Coated [ph] but (00:22:31) NovaPure?	

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Quintin John Lai Vice President-Strategy & Investor Relations, West Pharmaceutical Services, Inc. Well, I mean, NovaPure is our brand. So	A
Eric Mark Green Chairman, President & Chief Executive Officer, West Pharmaceutical Services, Inc. Yeah. It's our brand.	A
Quintin John Lai Vice President-Strategy & Investor Relations, West Pharmaceutical Services, Inc. well, right.	A
Eric Mark Green Chairman, President & Chief Executive Officer, West Pharmaceutical Services, Inc. Let's call it by design. And we — yeah.	A
Quintin John Lai Vice President-Strategy & Investor Relations, West Pharmaceutical Services, Inc. Yeah. I can't talk to really	A
Eric Mark Green Chairman, President & Chief Executive Officer, West Pharmaceutical Services, Inc. No. But	A
Quintin John Lai Vice President-Strategy & Investor Relations, West Pharmaceutical Services, Inc. we're not going to get into the aspects. But	A
Eric Mark Green Chairman, President & Chief Executive Officer, West Pharmaceutical Services, Inc.	A

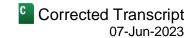
But I think the way to look at this is that we are really focused on seeing the market early on in development and then obviously at the various phases. We start with NovaPure. That's our conversations. Quality by design is all the attributes that we provide at West beyond just the physical product itself. And as we think about our success rate, there is – it is – you're right. It's north of the company average of – you used reference of 70%, it's well north of that. I won't use the other number.

So – but it is our focus. And I will tell you this, though, our R&D investments is asking, we're forcing ourselves is to say, what's the next generation? And staying ahead of the curve, so that our customers feel confident the products that we provide are the best quality products available in the industry today. Derisk their launch of their very valuable, important biologic molecules into the market and have tremendous impact on patient lives. That's our focus.

David Windley

Analyst, Jefferies LLC

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Got it. So my next question was going to be what comes next after NovaPure? But I'm guessing, you just kind of addressed that. I'm not going to...

Eric Mark Green

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

Stay tuned.

David Windley

Analyst, Jefferies LLC

...yeah. I won't get much more on that, so I'll skip. And I do want to address a little bit more of a near-term question on the growth that you saw in the first quarter in Pharma and Generics. I think you've talked a little bit about – and you can tell me if these are related or not. But you've talked a little bit about addressing the longer lead time products, which were, I think, lead times that stretched out because of the necessity of focusing on other products during the pandemic. Talk about the progress that you've made in shortening lead times. And is that part of what is driving the growth in Pharma and Generics?

Eric Mark Green

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

The short answer is, yes. We're making really good progress on reducing our lead times. The investments that we've put into our facilities to handle the demand – the increase in demand is supporting that reduction of lead times. The demand growth of Generics and Pharma or small molecule was accelerated due to lead time situations. We've been working through them. We do believe and said, double-digit growth in both categories. That is more like Pharma is low to single – low- to mid-single-digit type growth; Generics about mid-to-high single; obviously, Biologics, double.

So that – more long term, that's the construct that we believe, and we're working towards that. So we're working through the lead time issues as we speak.

David Windley

Analyst, Jefferies LLC

How long do you expect to take to transition back to those normal longer term growth rates?

Eric Mark Green

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

Yeah. Our projections based on current demand profiles is throughout 2023. So we should be relatively normalized with our lead times end of this year.

David Windley

Analyst, Jefferies LLC

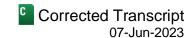
Got it. Okay. So kind of glide pathing down to that over the course of the year?

Eric Mark Green

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

Yeah. Yeah. And we were clear, though, we do believe that the two categories you referenced will have double-digit growth for the full year of 2023.

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David Windley

Analyst, Jefferies LLC

Okay. Okay. I think we're at time.

Eric Mark Green

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

Okay.

David Windley

Analyst, Jefferies LLC

So I meandered through my questions enough that we don't have time for the rest. But thank you for your time. I appreciate it.

Eric Mark Green

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

No. Thank you, Dave. Really appreciate it.

David Windley

Analyst, Jefferies LLC

Appreciate your attendance. Thanks.

Eric Mark Green

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

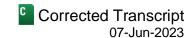
Yeah. Thank you.

Quintin John Lai

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

Thank you.

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