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West Pharmaceutical Services, Inc. (WST)

KeyBanc Capital Markets Life Sciences & MedTech Investor Forum

CORPORATE PARTICIPANTS

Eric Mark Green

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

Bernard J. Birkett

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

OTHER PARTICIPANTS

Paul Richard Knight

Analyst, KeyBanc Capital Markets

MANAGEMENT DISCUSSION SECTION

Paul Richard Knight

Analyst, KeyBanc Capital Markets

Good morning. This is Paul Knight, the analyst following West Pharmaceutical. I cover the life science technology industry at KeyBanc.

We have today West Pharmaceutical presenting Eric Green, CEO; Bernard Birkett, CFO; and Quintin Lai, Director of Investor Relations as well. We thank the management team for their time and we'll have a quick overview from the company. We will open it up for Q&A. I'll start it, but at the bottom of your screens there is a space for you to enter questions. I'll take those questions and get them to the management team as well.

So with that, Eric, I'll let you start.

Eric Mark Green

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

Great. Thank you, Paul, and first of all, thank you for the invitation to the event and truly appreciate that. Well, to – so I'll give you a brief overview but then excited to get into the Q&A because I know there is probably a lot of good questions to address.

First of all, we've been very focused on two top priorities for the last 12 months as an organization. That's to, one-number one, to keep our employees safe; second is to ensure continuity of supply to our global customers, and I would say the team has an outstanding job in both regards. The business continues to perform quite well. We consistently talk about a 6% to 8% top-line growth construct and in the last two years without COVID-related transactions, we've met or exceeded those expectations as an organization.

What's exciting where we are today is that there isn't a more critical time to identify or be part of the solution to the pandemic and West is participating in many different ways. One way is around the diagnostics area early in 2020, we started to get involved through our contract manufacturing. The second area is around therapeutics, and

particularly in the biologic space we have a very high participation rate and we noticed the uptake middle to the end of 2020. At the end of last year, we started to – we knew we were involved with the discussions and development of various products and solutions for the vaccines.

And as our customers were getting close to approvals, we started to manufacture and ship out to our customers [ph] various (00:02:34) FluroTec-coated materials and NovaPure to be part of the solution around vaccines in addition to that, we are manufacturing seals for those solutions. I know that there was an impact in 2020. We have installed additional capacity and – end of 2020 going into 2021 to allow us to continue to meet the demand that has been put on our organization not just the base business growing. It continues to grow quite nicely. But also a solution for the COVID vaccines.

So at this point in time, I'd like to get into Q&A, Paul, if you don't mind because I know there's various questions that we should be talking about.

QUESTION AND ANSWER SECTION

Paul Richard Knight

Analyst, KeyBanc Capital Markets

Q

Right. Eric, the – in the COVID environment, how far in advance our customers ordering? Are they anticipating, are they ordering for [ph] hope (00:03:32) supply needed for early 2022? What's different in their order pattern right now?

Eric Mark Green

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

A

Yeah. This pandemic has [ph] simulated (00:03:44) two things. One is, in a core base business what we have noticed and it's actually to our benefit, both our customers and ourselves, is that we are sitting down with our major clients and looking at what is the deliverables over the next 12 to 18 months. And so, we have a much stronger order book than we've ever had in the history of this company. But full transparency that's because there's more elongation of greater visibility what is needed 12, 18 months down the pike.

In regards to COVID, that has put additional layer of demand on our organization. And that is a weekly, daily, weekly, monthly review with our clients. And there are changes that are happening on the fly as various vaccines demand are going up in certain geographies. Maybe approvals have been a little bit earlier than anticipated or a little bit later than anticipated. So we're able to flex our global operations to support that. So the visibility if we look at our order book today, there are orders not just for 2021 but also in 2022.

Paul Richard Knight

Analyst, KeyBanc Capital Markets

Q

Right. Okay. And in this process of meeting that type of demand, what are some of the major obstacles? Is it maybe they have a different vial size? Is it raw material? What are the challenges you've been having to face?

Eric Mark Green

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

A

Yeah. So what's really good is that we're able to point our customers, particularly on the vaccines, into a very few number of SKUs around formulation and also the type of products. So for example, everyone that we're talking

about has a FluroTec coating or [indiscernible] (00:05:29) fluoropolymer coating on the material. Really a lot of the customers are going towards a larger vial configuration, obviously more doses for vial. We're also pushing or having our customers adopt towards NovaPure because it is the highest quality, lowest risk solution to go into the market. So we've able to really hone in on a few number of SKUs which has allowed us the complexity is to make sure that we have the additional equipment installed to allow us to be able to meet that demand. And that's been one of the challenges that the team has overcome and has done a great job on bringing forward capital investments that we had planned over the next several years into and the last year throughout 2021.

Supply chain-wise, we are working with our supply chain with raw materials, making sure that we have enough safety stock if required to be able to handle the demand. We've had some challenges from logistics, transportation. But we've overcome that with various means of be able to flex and be more agile as organization. So the challenges are there. But as a company, we've been able to overcome several of them. I think the biggest lever that we've used, Paul, and it's pretty basic, is around communication. It's that frequency of interaction with our supply base internally within our own organization, but also with our customers. So we can align appropriately to really meet the needs of our customers of COVID obviously. But also the base business which is, as you know, we are supporting multiple life-saving molecules that are in the market today.

Paul Richard Knight

Analyst, KeyBanc Capital Markets

Q

Right, right, right. And I guess there's – when you see a new vaccine, there's no issue with stability studies or anything like that, is there, Eric?

Eric Mark Green

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

A

No, no. And again, it goes back to our customers are very comfortable and familiar with the FluroTec coating. They're very familiar with West as one of the major player in containment in the industry. We have scale, we have quality. We have the portfolio to really support this complex – these vaccines that really again position very well where we have a very high penetration rate. Again, FluroTec and NovaPure.

Paul Richard Knight

Analyst, KeyBanc Capital Markets

Q

Right. Okay. And your factory – question here is factory utilization rate. Are you facing any capacity constraints at this juncture, Eric?

Eric Mark Green

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

A

Well, we are faced with. So yesterday, I was at one of our plants that produces NovaPure so high-value products and we have installed end of last year and as we speak we're installing additional equipment. It is 24/7. We are producing as much as we can at this point and in many of our plants around the world to be able to meet the demand of our current base business, but also with the vaccine development.

Fortunately, we're able to stay on top of the demand that's been put on to us. But again, it goes back to that ensuring that we have the right scheduling over the next several weeks, months and quarters. So we're able to keep up. But it did require to put additional capacity in place which fortunately we had enough insight early on in this pandemic with our customers on what kind of demand that would be required. As the largest supplier in this space and knowing that the number of customers we were engaged with, we knew we needed to act. So in early

2020, we pulled the trigger to pull forward tremendous amount of capital that is being installed and validated as we speak.

Paul Richard Knight

Analyst, KeyBanc Capital Markets

Q

And Bernard, what are those capital plans this year?

Bernard J. Birkett

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

A

So we've guided \$230 million to \$240 million for CapEx. And that comes on the back of accelerate CapEx that we did in 2020. And it's really layered into support, as Eric kind of said there, it's all around high-value products, making sure that we have installed capacity in place and it is capacity that we were planning to add over the next number of years anyway. So it's really accelerating our CapEx spend that we would have targeted for the next five years. And obviously, if the growth continues at the pace it is, we have the ability to layer in more capital as required. And again, it is primarily around equipment. So you're not looking at adding more facilities. We can absorb it in the existing footprint at this time.

Paul Richard Knight

Analyst, KeyBanc Capital Markets

Q

Yeah, [ph] Eric (00:10:30). So that's when you really start to get into the lead time. I mean, what's the lead time right now between investment and turning that into revenue?

Bernard J. Birkett

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

A

On the equipment, you could be looking at between 6 to 12 months from the time you order the equipment, and again depending on what type of equipment is required. So, for example, we would have started ordering equipment probably mid-2020. And we were able to onboard some of that and get it validated by the backend of 2020. So that's actually up and running now. But some pieces may be a little bit longer. So, it will happen through the course of the year. But the lead times don't extend much past like 12 months.

Paul Richard Knight

Analyst, KeyBanc Capital Markets

Q

Okay. And...

Eric Mark Green

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

A

So – but it's between 6 to 12 months window.

Paul Richard Knight

Analyst, KeyBanc Capital Markets

Q

Okay. And, Bernard, what level of revenue does \$1 of CapEx generate?

Bernard J. Birkett

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

A

That's not something that we would typically communicate. The way we look at it we're saying how much we spend on CapEx as a percentage of revenue. So right now, we're probably [ph] asked (00:11:36). We're getting

close to I would think what is it 10%, maybe a little bit less, 9%-10%. Typically, we would target between 6% to 7% of revenues on CapEx. But given the circumstances and the accelerated demand, we've increased that between 2020 and 2021. So it's responding to demand in the market. So it's all based on growth.

Paul Richard Knight

Analyst, KeyBanc Capital Markets

Q

Yeah. Okay. Got it. And the question here is what percent of your units' revenue and operating profits is currently classified as high-value products?

Bernard J. Birkett

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

A

So on – we just – on the revenue side, north of 60% I think, about 63%, 65% of our Proprietary revenues are high-value product base.

Paul Richard Knight

Analyst, KeyBanc Capital Markets

Q

And relative operating profits, Bernard?

Bernard J. Birkett

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

A

So the margin on that high-value products you're looking at, probably 40% to 50% could be higher depending on some of those products. Operating margin, you tend not to talk about when we get to specifics on products, we just go to gross margin level. That's what we've communicated in the past.

Paul Richard Knight

Analyst, KeyBanc Capital Markets

Q

Got it. Yeah. And then the follow on to that is in your, the percentage of vaccine-related products that are considered high value.

Bernard J. Birkett

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

A

The vast majority of them.

Eric Mark Green

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

A

Yeah, absolutely. It's all...

Bernard J. Birkett

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

A

...yeah, you're really looking at FluroTec and Nova Pure and supporting the vaccine [ph] market (00:13:31).

Paul Richard Knight

Analyst, KeyBanc Capital Markets

Q

Okay. Got it. The – looking at the core business, you've always been guiding pretty consistently 6% to 8%, market seems stronger than that right now. What products would you cite with Crystal Zenith, FluroTec, what's driving your ex-COVID growth?

Bernard J. Birkett

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

Yeah.

A

Eric Mark Green

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

I'll...

[indiscernible] (00:13:58)

A

Bernard J. Birkett

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

Okay. Go ahead, Eric.

A

Eric Mark Green

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

The biggest growth drivers of the core business is the FluroTec, the high-value products and [Technical Difficulty] (00:14:10) biologic space. And so, we have a number of launches that use NovaPure and there's a few in the wings right now that will be launched shortly. So without – if we take out COVID at this point in time, it really is NovaPure, Crystal Zenith is another area of really strong double-digit growth. We have capacity being installed as we speak to really increase our, what we call, 1 mL insert needle. It's prefilled syringe capability in Arizona and it gives us tremendous capacity expansion which has already called for. Our demand is already taken from our customers. So it's – those are the key areas of growth that we're seeing.

A

Paul Richard Knight

Analyst, KeyBanc Capital Markets

Got it. Okay. The – sorry, just trying to read a long question here. The validation time for products is what? Is – how long does it take to – a customer to validate a product on a therapeutics portion of the market? And then following on to that is cell and gene therapy specifically, what's the validation time on that and what are you seeing in the cell and gene therapy market right now?

Q

Eric Mark Green

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

Yeah. So we think about validation, it does vary on the molecule. It does vary on the clients and where they are with the process. We're brought in very early into the discussions, usually Phase 1 or Phase 2 and – but the pipeline that we're involved with is as robust as it's ever been. In fact, last year was one of the highest number of new [ph] – NMEs (00:16:04) that were approved and we – our participation rate continues to climb.

A

In regards to CGT, we are heavily involved in those areas. Again, NovaPure, CZ, those are the type of components that would be part of those solutions and again, it does vary. We're, again, early on anywhere from a few years to a number of years. So it is the – a very high adoption for CGT for our highest level, high-value products of NovaPure and Crystal Zenith.

Paul Richard Knight

Analyst, KeyBanc Capital Markets

Right. Okay. And Eric, you came on board a few years ago now...

Q

Eric Mark Green

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

Yeah.

A

Paul Richard Knight

Analyst, KeyBanc Capital Markets

Your lean management program obviously on its way, well on its way. Where are you with that program?

Q

Eric Mark Green

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

Yeah. I'm excited because it's gaining a lot of traction. I think one of the biggest changes we had to do was really more physical. As you recall, we went from 29 manufacturing sites down to 25 and we're a growing organization. And you heard Bernard earlier talk about we're adding capital into our facilities and that's not bricks and mortar. That's equipment. So it gives you a good indication that the team is doing a great job on leaning out our processes and allowing us to leverage existing assets more effectively.

A

And then about investments we're making, it has a very much – much quicker turn on profitability. But, saying that and again I mentioned I went to a couple of plants yesterday and I'm really encouraged on the progress, but we have ways to go. And it is part of the DNA, if you go to our sites now, Paul, as you tour a couple of our sites, you'll see a much more mature. But now it's just working the opportunities whether it's in supply chain, whether it's in working capital impacts work – global operations, flex in the system allowing our customers to use multiple sites versus a site, these are all significant opportunities that will drive margin expansion.

Paul Richard Knight

Analyst, KeyBanc Capital Markets

And my understanding, Eric, is part of lean is finding new opportunities for growth. Is that working to your satisfaction? Is that a big part of what lean means to you at West?

Q

Eric Mark Green

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

Yeah. So we have a West business system like many companies do. And what we have is not just within our operation – within the walls of operations. This is being spread throughout the organization and in our current commercial organization of product management, we are continuously looking at ways, the market-led approach that we have is to bring back solutions that's really taking, in many cases, costs out of the system. And it could be more of healthcare costs, it could be our customers cost, it could be even our own costs. But it allows us to provide more of a complete solution or a system approach versus components which goes back to what you said earlier is, can you create more economic value in the top line, more growth, the answer is yes. Seeing that with a number of – you think about some of our new incremental innovations that we have, particularly around elastomers and proprietary. These are improvements to drive particulates inefficiencies. Particularly it's out of the system inefficiencies with our customers when they're doing maybe the fill-finish process or other processes down the line. So these are incremental improvements that we're making through the lean methodology, that is translated into higher-valued type of transactions with our customers [indiscernible] (00:19:56).

A

Paul Richard Knight

Analyst, KeyBanc Capital Markets

Q

And Eric and Bernard and Quintin, a lot of companies over the two days we've been hosting companies as they often that comes up is the really developing progress of the cell and gene therapy markets and also things related to RNA such as the mRNA vaccine. Is that a different product set for you? How are you addressing that opportunity?

Eric Mark Green

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

A

Yeah. It's – but again it's a variation of our existing portfolio, but we're using the core platform of Crystal Zenith. We're using the platform of NovaPure. We are looking at alternative delivery devices. So, we're working off of platforms that have the capability to move into solutions for [ph] CGT (00:20:46) absolutely.

Paul Richard Knight

Analyst, KeyBanc Capital Markets

Q

And you haven't been an acquirer of properties in the past. But is that something that is developing with all of these novel therapeutics out there, is there intellectual property out there that is a possibility for you in the years ahead?

Eric Mark Green

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

A

Bernard, do you want to address?

Bernard J. Birkett

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

A

Yeah. It definitely is. It's an area that we're taking a much more active look at. Given that over the last number of years we've started to build a really consistent growth story from our core business and we've been delivering on that now in a sustainable way over the last number of years. So, it is an opportune time for us to start looking at other investments, other technologies and that align with the strengths of West and fit into our strategic plans and also bring better solutions to customers, more innovative solutions to customers. So that will form a bigger part of what we're going to do in the future. However, we're also cognizant that we have a very, very strong organic growth story. And we are – don't want to do anything that would derail that in any way. So we're focused on the continued execution in that space, but also being able to layer in businesses that align with the services and solutions that we're bringing to our customers, but again a very, very deliberate approach to M&A.

Paul Richard Knight

Analyst, KeyBanc Capital Markets

Q

Yeah. I mean, it seems to me like if I develop the best stopper in the world, I really would never be able to get it distributed because of the validation, the sales network to manufacturing network. Isn't that pretty much the highlights of your moat?

Bernard J. Birkett

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

A

It's one of the highlights of the moat. We have investors over the last number of years in a lot of infra – a global infrastructure to be able to support customers, obviously, on a global basis. But that's also supported with the highest levels of quality, the science, material science behind it, the regulatory support that we can give and...

Paul Richard Knight
Analyst, KeyBanc Capital Markets

Q

Yes.

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

A

...and so scale is one aspect. But there are a number of other aspects to that moat and what it's all really about how are we bringing value to our customers. And I think you can see in the response to COVID in a number of different ways...

Paul Richard Knight
Analyst, KeyBanc Capital Markets

Q

Yes.

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

A

...particularly therapeutics in the vaccine, how we're able to leverage that on a number of different fronts within a...

Paul Richard Knight
Analyst, KeyBanc Capital Markets

Q

Right.

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

A

For space of time.

Paul Richard Knight
Analyst, KeyBanc Capital Markets

Q

Yeah. A question here too is the combination that your – your high-value product mix and your focus on lean. You've had a goal of about 100 basis points annual margin expansion. Any more color on that it seems like – is that still the goal? Is it a conservative goal? What can you say your business and your historical margin expansion goal?

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

A

Well, that's part of the long-term construct. So over the long-term, we would expect to be able to do 100 basis points plus every year. Now, if we can do better than that, that's what we will do and over the last number of years, we have surpassed the 100 basis points. And I think if you look at the guidance that we've given for 2021, the – it's going to be greater than 100 basis points within 2021 based on the high-value product growth that we're seeing. But, when we're looking at it over the long-term, we are – there is a strong belief there that we can deliver at least 100 basis points and we strive to do more, but – so that's what we're committing to and we see it on a number of different areas. It's high-value product conversion, expanding our gross margins and then leveraging OpEx. So there are a number of different facets to that.

Paul Richard Knight

Analyst, KeyBanc Capital Markets

Q

Right. And in this – in the COVID era that we've been going through, what have you learned from that regarding your manufacturing footprint? Will you always have like an available build out space like you did have and do have in Waterford or different sources of supply? How has this COVID era impacted your thinking on your manufacturing and footprint?

Bernard J. Birkett

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

A

Well, first and foremost, it tell us that by having the global infrastructure in place and investing upfront in certain areas is something that we need to be looking at. We need to be prepared. If we were trying to add somewhere like Waterford today in response to a global pandemic, we'd be in a lot of pain. So you do need to carry some level of flexibility. And so, it is something we are – we evaluate on a continuous basis and the world is changing around us where people want to get their product from is changing. But again, that kind of helps us leverage the existing global network that we have in place, where before a customer would take a product from one site, now they can potentially take it from multiple sites and that allows us to leverage the network.

We're also looking at higher levels of automation and what does that mean for our business as we grow over the next number of years. So it's not always about footprint. It's what you do inside those four walls and how can you get more efficient. So that – that's a big focus for us also. We talked about the investment we were happy making in automation over the last number of years and we'll continue to add to that. So it's – we're not saying right now that we need to add more footprint or buildings. It's really our focus is on how do we utilize what we have in a more efficient way and it ties back into the lean conversation that you had earlier. So there's still work to be done in that space [indiscernible] (00:27:25).

Paul Richard Knight

Analyst, KeyBanc Capital Markets

Q

Yeah.

Eric Mark Green

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

A

But when we need to invest in facilities, again, we have the wherewithal to do that and it's how quickly do you get them up and running. And as you kind of said, how do you earlier on one of your questions, how quickly do they start generating revenues. Well, I think that we learned a lot from Waterford and building that in a modular style. So it's a lot we can add on to it in a much quicker way. And so we can be up and running much faster. And that's something that we're looking at to see how can we do that at our other sites if we need to do that.

Paul Richard Knight

Analyst, KeyBanc Capital Markets

Q

Okay. And as you look at what is competition, Eric, is it a prefilled syringe firm wanting to make their own components? What do you think is the most significant competitive risk in the years ahead?

Eric Mark Green

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

A

Yeah. I think it's two-fold. One is just staying in front of the demand requirements that we don't give the market any reason to look elsewhere and have that capability of produce at multiple sites for a particular molecule, which

means that you have your risk mitigation put in place naturally. So, I mean just I'm stating the obvious. But that's really our focus. But right, there's other modalities that are being looked at. And we're constantly in our R&D group looking at new technologies that could be a substitute for what we currently do. But that's what's really good about our position is that we are at the table with most of the customers around the globe and we are understanding where they want to take their next-generation type of systems. And so that's what we're looking at and investing in to stay ahead of the competition. But I will say that as long as we stay close to the customers and we are understand the markets, we're able to translate that into how to adjust our portfolio accordingly. When customers are looking at their next breakthrough new molecule, de-risk the launch, coming to us is a very comfortable decision and we need to make sure that we maintain that position.

Paul Richard Knight

Analyst, KeyBanc Capital Markets

Q

Right. Is the technology, is your customer technology changing much more significantly now than it did when you first joined, Eric?

Eric Mark Green

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

A

I do think it is. And I think that's one of the reasons you see a catalyst of our high-value products growing faster and more meaningful than we've had in the past. And looking at the new launches of products that we're bringing into the market that are responsive to those complexities. So I do believe as you've indicated that it's more complex going forward. And that's why the importance of having various technologies at your disposal that you can build from versus sliding down to more of a standard type of configuration is the direction we're going.

Paul Richard Knight

Analyst, KeyBanc Capital Markets

Q

Right. And then geographically, could you talk about market conditions? As we've heard that you're still a little bit slower than perhaps is North America. And then could you talk about what do you have to do geographically? Do you have to get bigger in Asia? What are your thoughts strategically regarding what you need to do globally?

Eric Mark Green

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

A

Yeah. No you're right. If you think about our revenues from a geographic point of view, they are roughly a little bit less than 10% in Asia Pacific. And that's taken out Daikyo in Japan who represent us and Japan and we obviously represent them outside of Japan. I do believe we're well-positioned as far as in the markets were direct with customers by the year-and-a-half [indiscernible] (00:31:38) to the transaction [ph] South Korea to give us a site (00:31:39) B2B connectivity to the – some of the largest vial production manufacturers in the world.

So when you asked me the question, I would say there's two things: One is we're very clear on staying at the premium level of focus around making sure that we have the most advanced technology in the regulatory barrier in that market versus sliding to a different level. And we realized that the volumes are more on the standard, lower complexity type solutions. But we believe long-term viability and long-term success really will be at the premium again pushing continued to drive the high-value products.

Secondarily, we're seeing more and more our customers migrating to those geographies and they want a global solution. They did not want to have multiple supply chains with different configurations. That creates complexity, it creates costs and it creates risk frankly. And so that puts us again in a very good position. We retooled frankly the

Asia Pacific team about a year-and-a-half ago. The results are extremely positive and we're confident we're on the right track to see that part of our portfolio grow – outstrip the growth of Europe and the Americas.

Paul Richard Knight

Analyst, KeyBanc Capital Markets

Q

China question we've had is China is trying to increase their focus, increase their scale and biologics. Is that an opportunity for you or is it the multinational in operating in those markets, Eric?

Eric Mark Green

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

A

Yeah. So it's both. So the multinationals, you're right. Again, going back to the consistency what they do globally and we're supporting them on able to the regulatory barriers to ensure that we can import and/or produce locally the high-value products for them. But it's the local vial production companies that are looking to scale. And in many cases, they're looking to export. Again, when you export, you need to be able to meet the regulatory challenges and in more of the developed markets. And so, therefore, we're having more conversations than we [ph] ever (00:34:01) had in that particular country, part of the world so that we can support them on their growth. In fact, some of the larger companies in that region are now getting assets both in Europe and in the Americas and that alignment for us is very strong and very influential as you can think forward of the growth for the business.

Paul Richard Knight

Analyst, KeyBanc Capital Markets

Q

And then, the last question we've asked other management teams, Eric, Bernard and Quintin, is, what do you think the world's like in 2022, are we back to normal?

Eric Mark Green

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

A

I would love to say yes. But I don't think so. But again, I have no crystal ball that's any different than others. All I know is that fortunately there's tremendous amount of new candidate, the science around the new vaccines are in the market. It's just phenomenal. And we're very humbled to be part of the solution to help our customers to be able to reach hundreds of millions, if not, billions of patients across the globe with a vaccine. But it does take time. And so I think in 2022, I think companies like West and others that you're speaking to are building that capability for sustainability and scalability. And that's our focus

Paul Richard Knight

Analyst, KeyBanc Capital Markets

Okay. Thank you very much.

Eric Mark Green

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

Thank you, Paul. Appreciate the time.

Bernard J. Birkett

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

Thanks.

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