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West Pharmaceutical Services, Inc. (WST)

Jefferies Global Healthcare Conference

CORPORATE PARTICIPANTS

Eric Mark Green

Chief Executive Officer

OTHER PARTICIPANTS

David Howard Windley

Jefferies LLC

MANAGEMENT DISCUSSION SECTION

David Howard Windley

Jefferies LLC

All right. Good morning, everyone. Dave Windley in Jefferies Equity Research Department, thank you for being here and supporting our 2015 Global Healthcare Conference. Also I want to extend my thanks to West Pharmaceutical Services for being here and presenting for us. Ticker there is WST.

Here today to represent the company are the company's Chairman, Don Morel; Bill Federici, CFO; and to my delight, Eric Green, the company's newly named CEO is here to present the company for us. I don't know – are we your maiden voyage here? Yes. So, I'm pleased to turn it over to Eric to present West's story. Thanks again for being here.

Eric Mark Green

Chief Executive Officer

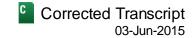
Thank you, Dave, and thank you for that introduction. It is our pleasure to be here today with the Jefferies Healthcare Conference here in New York. And I'm actually pleased to be able to present to you the West Pharmaceutical Services' story and the direction that we're going.

To get started, I just want to call the attention to the Safe Harbor statement, which indicates that management may provide forward-looking statements during this presentation and I may refer to the non-GAAP measures in the course of the presentation.

Today, over the next 20 minutes, I'm going to talk about the history of West and also looking at the two business units that we currently have. Our businesses around packaging system franchise; and also our delivery systems businesses; touch on the financial position, and also talk about the position for future growth for the West business.

If you take a look at the business, has a deep-rooted 90-year history. It's been a manufacturer of components used in injectable devices with the manufacturing industry for several decades. We've partnered with our pharmaceutical clients for a number of years and those relationships and trust have been built as we endeavored

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over those several decades. And in the strong Western market share in the elastomers for injectable finished doses is really due to the relationships that we have established.

If you look at the innovation that has been brought into the company either through inorganic activities or partnerships and also with some organic investments, we are currently today positioned well as a market-leading solution when you start looking at devices moving forward. Dave mentioned a little bit earlier about the transition.

Don Morel has been the Chairman and CEO of West Pharma ceutical Services for the last 13 years, and it's been a tremendous ride. I'd be amiss if I didn't recognize Don and the team of what they have accomplished. And he'll be transitioning now as the Chairman of West at the end of June and as we move forward and I'll take on the – I continue to take on the role of CEO of the company.

If we take a look at, since 2001 the initiatives, the strategic transformation really is leading the —as a global supplier of value-added pharmaceutical packaging systems and components, it's really broken up in two areas. On the organic side, in the packaging systems business, it really has been focusing in geographic expansion, putting more assets into Europe. Also, you've noticed that we've made investments in India and China and Singapore. That really has given us the position to be able to support our customers globally with our packaging system solutions.

And then the delivery systems, it has been really focused around the acquisitions. We started off -10 years ago at this day we acquired a company called Tech Group which really is expertise competency around injection molding capabilities that's allowed us to really branch further in the delivery devices. The innovation and growth in the high value of products is really supported by the capital investments as you've seen, we made over the last decade and a half.

The growth of the business has really gone from a little over \$370 million business in 2001 to over \$1.4 billion in 2014. Again, the composition of a CAGR of 10% really driven by – really focused on the delivery systems and also the packaging systems capabilities.

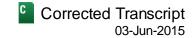
If we start by looking at the foundation of the company, it's solid customer-base, very diverse. The largest customer at West is less than 7 % of the revenues. We're working with virtually every major pharma and biotech firm, generic and medical device company across the globe. West is currently a partner with and working on whether it's components and moving up the spectrum with the devices.

We have the capability of – as mentioned earlier, it's a global business. We have strong presence in the Americas and also in Europe, a little bit less than 10% in Asia which is an opportunity for West to leverage the assets that have been put into the different markets of China, India and Singapore to allow us to continue to migrate more towards Asia as our customers build out their capabilities in those particular regions.

If you look at the global market drivers, there's several that really drive economic value with broader demographics and global economic development. But what's really relevant to the West entity is, first particularly at the biologics growth. It's a significant growth rate that is really driving our high value products portfolio and we're positioned well as the biologics' treatments for chronic diseases require more solutions around the injectable space.

Secondly is global footprint. A lot of our customers, particularly the multinationals, are building capabilities in Asia that we're well-positioned to take advantage of as we continue to go forward.

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Third area really is around the high quality regulatory standards, really fueling the high-value products portfolio and the innovation and the demand in that. That is one of the key areas that differentiates West from other firms in this particular space.

The third (sic) [fourth] (06:39) area I'd like to highlight is when the high value products can add value, as we move up the value spectrum with our customers by lowering the total cost of ownership for our customers. We are, in essence, responding to our customers' needs by putting more solutions in -house that allows them, – our customers, to take our products and put right into their systems as they deliver their products to the market place.

And the fifth area is really a key differentiator of West in the marketplace. It's around the administration aid and self-dosing products, which provide important differentiation where our customers are asking us to combine the uniqueness of their components, our specialty containers, and our delivery devices as we move forward. The growth trends look better looking forward if you take a look at the therapeutics over really the recent few years in this particular space. This is really driven by a customer's global expansion and R&D focus, and success in the key therapeutic areas.

Really, four key areas that we've seen is really around the oncology, diabetes, autoimmune, and also in the vaccine space. This continues to be a space that we play in and healthy growth drivers in the marketplace. And that really stems well in the biologics. If you take a look at — it's actually the biologics as a contribution as total sales value in the marketplace has doubled since 2002 to estimated 2017 numbers. Again, we play very well in this area with our high-value products, with our packaging systems solutions and has been and will continue to be a growth driver for that particular business.

We also see the next wave as being driven by expanding geography of biologics and biosi milars. And again, West is positioned very well to be able to support our customers in that area. Strategically, when we look at West as an organization and how it has evolved over the years, it's really taking the components, bringing the elements of delivery system such as the partnership. We have Daikyo with the CZ syringes – and take a look at the SmartDose capability. And the combination into a delivery system working with our customers, enabling them to have a administration device to their patients, has really been the key primary driver of creating more value as we look forward with our company.

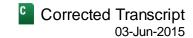
Let me describe a little bit about the two businesses that we operate in. About 70% of our businesses in the packaging systems, and it's the largest in the traditional pharma packaging business and this also includes our high-value products in this particular space.

The second area which is, as I mentioned, about 30% of the business is really broken up in two areas. One is contract manufacturing which is specialization and injection molding and assembly for drug delivery diagnostics and consumer applications. This particular business we brought on, started with the Tech Group acquisition, as I mentioned earlier about 10 years ago. The other 25% of the business for delivery systems is the home of our proprietary products really around administration, safety and delivery systems as well as our CZ capabilities.

Let's go a little bit deeper in the packaging systems business. This has been performing steadily in the mid-single digits growth, and the shift that we're seeing is around the product mix. And that's important to talk about in little greater detail. The high-value products are driving growth and that's just on the top-line but also margin expansion and also on our EPS.

And the high-value product capabilities have been expanding with new product solutions have been delivered with the portfolio around Fluro Tec, Nova Pure and the Envision inspection capability, giving 100% of our products to be inspected for quality and consistency, less so our application process and also the Daiky o product portfolio.

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Success, we continue to grow this business because we look at the product quality requirements and also the requirements of the products to be written into the DMS system in most of the Western markets, really limits substitution effect and also protects the IP at West. If you look at the capital intensity of this business and our capability to invest in organic growth in our capacity capabilities not just in the mature markets but now in the emerging markets, it's another daunting barrier for entry from our competition. And what we do is around the trade secret, the manufacturing knowhow and the capabilities which allows us to continue to have a competitive advantage as we grow this business forward.

And we look at the trusted partner of customers. We are working with the top 50 pharma and biotech firms around the world. In the biologic space, the top 35 injectable biologics rely on a component either delivered from West, or our partner Daikyo, out of Japan. The biologic has been a primary growth driver of our high value products. And together with Daikyo, we serve all leading bio-products in the market place.

The West's high value products and investments is clear and well-documented products – clean and well documented products. It's really a key differentiator in the biologic space. So as the customers looking to move more into biologics or looking at West to partner, we have the capabilities like Westar RU, the NovaPure [ph] packed imported bags (12:45) for direct introduction to filling lines and systems with our customers. And then, the delivery systems, the CZ and self-dosing injection mechanisms that we have developed are allowing us to compete and be a credible player with our biologic customers. These have positioned us well to really – as the biologics production space continues to evolve, this allows us to enable our customers have unique delivery methods, allow them to be competitive at the market place.

This slide quantifies the impact of the high-value products focus strategy within the pharmaceutical packaging and systems business. If we take the business apart, there's really three components of it. About 46% in quarter one of this year of the high-value products is double the margins of our standard products in a higher growth rate. We are anticipating in between 8% to 12% performance in this particular area of our portfolio.

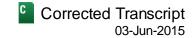
It also has a higher average selling price as indicated in this chart, and then the standard packaging capabilities. We have steady performance with our standard materials. These materials are consistently used with our customers globally. Around mid-single-digit growth in margins around the high-20% mark in the portfolio.

The third component, which is less than 10% of our business, is the disposable components. And again, that's relatively flat at this point the last several years. But as the high-value products continue to take a larger share of the portfolio, you can see the margin expansion that we're experiencing with this business unit. We do believe it's sustainable margin expansion but from quarter to quarter, there somewhat – some more sensitivity, but overall a higher margin expansion as we go forward.

The second business unit is around the delivery system capabilities and there's two kinds of businesses, as mentioned earlier. Largely, the business is basically —largely based on plastic injection molding and 25% is around molding capabilities, which are combined with project management and assembly capabilities. And this is really joint partnerships with our customers to develop products that are used in casing of EpiPen kits, glucose monitoring devices and so forth.

But this capability has enabled us to move into the faster growing area of our business, which is around the proprietary product portfolio, which also has higher margins. And we're focused on the leverage in the molding and assembling capabilities with product IP in products such as the Daiky o Crystal Zenith, the CZ; and also SmartDose, which is gaining traction and attention in the marketplace.

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Let's start with our contract manufacturing capability. As mentioned earlier, it's 25% of the PDS business unit. And in 2005, we've bought a company to combine with our West's smaller and consumer-focused plastics business. Recently, the focus of this business has been more towards the healthcare and the pharma products, has become an important maker of delivery devices as such as EpiPens, and also, glucose monitoring devices to the diabetic care industry.

The product design for manufacturing, process improvement and product management are capabilities really that supports the contract manufacturing customers in proprietary development. This core competency of this entity has brought to us and we've been able to leverage across our business globally.

The competitive advantage on the – for the device delivery systems is really the growth on reoccurring and new contract business focused on healthcare. This business is highly repetitive and long-term with our customers. And we continue to be able to design new products for them to enter into marketplace. And the growth in proprietary products, including reconstitution aids and CZ and SmartDose, although it's a smaller piece at 25% today, it is gaining momentum as we continue to grow the business forward.

Similar to the packaging system business, this representation of the relationship of the business size, growth rate, and historical margin clearly shows the proprietary products is growing faster, although on a smaller base than the contract manufacturing. And our focus is on accelerating further development of CZ and SmartDose. And so as we would look long-term, we are looking to see more of a balance between the two are as of proprietary and contract manufacturing.

So, we have several growth initiatives going forward, and we've been implementing on these for several years. But 2015 and 2019 are really a focus on the packaging system. It's continued to develop and add cap ital expenditures in the areas of our high-value products, so we can continue to drive the demand that we're seeing with our customer base.

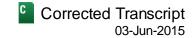
This, again, as mentioned earlier, it's average selling price. The margins are higher, allows us to leverage this part of the business for our investments. We continue to look at geographic expansion in the manufacturing footprint to ensure that we are able to support our customers not just to day but also into the future, but also in different geographies around the world. And we're also driving the efficiencies – we're looking at zero defect quality initiative and also the margin expansion with our more automation and capabilities.

On the delivery system, we're looking at – continued to drive, leverage the core competency of our injection molding capabilities in the healthcare space and to leverage the adoption of Daiky o CZ and SmartDose into the marketplace as many of the new drugs are being tested and trialed going forward into the marketplace.

A little bit further into detail about the progress we're making with two key products in the delivery systems business, one is around the SmartDose. Last year, we had over 100,000 units utilized in the marketplace and tested in clinical trials, and we also — with over 800,000 cartridges. And we believe, at this point, we see clearly eight active development projects in place at this point in Phase III clinical trials. Very exciting technology. We think it's differentiated in the marketplace, and we believe by leveraging again the capabilities with CZ, with the SmartDose application, we're able to provide a really value-added solution to our customers.

On the Daiky of Crystal Zenith vials and syringes, we have over 30 products approved in Europe, U.S. and also, in Japan. We're seeing – we've seen it double in stability trials in 2014. And we've also seen the 50 ml vial approved in the U.S. custom application. And also, there's a recommendation for the 2 ml vial in the U.S. And again, this is – we're seeing this gaining traction with the critical capability of leveraging plastic capabilities in the market place

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versus glass. So the progress, what we're seeing with is – in both SmartDose and Daikyo Crystal Zenith product in our marketplace is very attractive and we continue to stay focused and invest in those areas.

The second area is around geographic expansion. Progress was made in India, specifically, and we've also made some additional investments in China and also, in Singapore, that allows us to looking at centers of excellence. To give you an example, migrating some of the work that was done in Kinston in the U.S. and also in Singapore to our India plant to allow us to be more effective while maintaining the same quality standards that we have globally for our customers.

In Kinston, with the high-value products capacity is coming online in 2015, again allows us to continue to provide more added value solutions like Envision, NovaPure into that site, again a complete solution to our customer and having it all operated out of one location for that capability.

In Ireland, the forward-looking expansion for dual-sourcing, really around the sheath for insulin, and then, more future-lookings, looking at finishing feasibility of the future, we want this to be one of our key hallmarks ites when we talk about quality and expectations for the quality focus. So, we have several investments that are ongoing not just in the U.S. but also in Europe and Ireland and also in Asia.

If you take a look at the business, for the last several years, it's been very strong and very focused on delivering solutions to the customer. And I think the future is very exciting at West. We have a broad customer base. That learns itself to give us the capability of having multiple discussions, direct interaction with our customers both in the pharma and the medical device space. There is — what many people would refer to a moat around the business. There is a very strong competitive position that we have at West. And when you look at it, again, the diversification, the customer base with a maturing proprietary technology and pipeline specifically around the Smart Dose and CZ uptake, and the global footprint that we currently have, positioned us well when we're looking at faster growing markets like Asia.

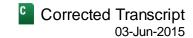
Key differentiation at West, I believe, and it's been viewed from our customers as a positive is the fact that we are — we control the manufacturing and the quality standards that we set with our customers with the products that are going into their hands. So, in order to support our customers' concerns around having facilities that you can replicate in different locations, we are looking at risk mitigation with our customers who are capable of doing that with the investments in Ireland and other locations around the world, so our customers can feel confident working with West but in multiple locations really gives on the supply chain continuity based on unknown future events in the marketplace.

The biologic space continues to look very attractive especially with the addition of the biosimilar space and again, a lot of – most of our portfolio was packaging systems, around 46% of the high-value products, really supporting that particular space.

And I like to just conclude on saying that the business is financially strong. Strong balance sheet, very strong operating cash flow, and a very clear plan on how to continue to create value in the marketplace, not just for our customers but also shareholders and the 7,000 employees who we have worldwide.

Thank you very much. And I know we have a breakout session a few floors down for Q&A, and we look forward to having few questions. Thank you very much.

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