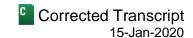


15-Jan-2020

West Pharmaceutical Services, Inc. (WST)

JP Morgan Health Care Conference



CORPORATE PARTICIPANTS

Eric Mark Green

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

OTHER PARTICIPANTS

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Analyst, JPMorgan Securities LLC

MANAGEMENT DISCUSSION SECTION

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Analyst, JPMorgan Securities LLC

Good afternoon, everyone. Thanks for staying until the end on Wednesday. My name is Tejas Savant and I work with Tycho on the life sciences team in JPMorgan. It's my pleasure this afternoon to introduce Eric Green, CEO of West Pharmaceuticals. At the end of Eric's presentation, there will be a management breakout in the Borgia Room which is right outside.

With that, I'd like to hand it over to Eric.

Eric Mark Green

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

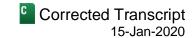
Great. Tejas, thank you, and thank you for the invitation to participate this year at the JPMorgan Healthcare Conference. Great series of conversations all day today.

Before I get started, I just want to remind you about our Safe Harbor statement. It's here posted on this PowerPoint presentation, but also you can find our Safe Harbor statement in our website at westpharma.com.

Let me tell you a little bit about West and the story of West. Our focus is around containment and delivery of injectable therapies, to really focus on improving patient lives. Each and every day, we are producing over 100 million components which drives over 40 billion components a year that are critical in the delivery of injectable drugs on a global basis.

Our portfolio is vast. We've been in business for 97 years, and there's really three key categories of our components. One is round vial containment and syringe components; another is administration and reconstitution; and one area that we're really excited about its future growth opportunities is drug delivery and diagnostic devices.

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The underpinning ability to drive value with our customers and our business is around three core values that we have at West. It's really being around passion about the customers, leadership and quality, and also on the One West Team. And our vision is to be the world leader in integrated containment and delivery devices.

When you think about our portfolio today as we stand, roughly based on 2018 numbers, about \$1.8 billion in revenue, geographically we're roughly around 45% in the United States or North America – I'm sorry, the Americas; 48% in Europe; and the balance in Asia Pacific. If you take Latin America out of the Americas and put it in Asia Pacific, you're about 12% of the total sales of West in what we consider more the emerging markets.

The portfolio itself is very diverse, over 40% of our revenues however are in our high-value components, which we'll talk about a little bit later. It's our highest growth area of the business and also the highest margin portfolio that we have at West. And from a market unit perspective, this is a change that occurred a few years ago to be more market-led and we're focused around the pharma we classify as small molecule innovation, the biologics, and it also includes biosimilars and also the generics. The third component is the business we call Contract Manufacturing. It's roughly around 20% of our business.

What's exciting about this, through the first three quarters of 2019 what we're seeing is an acceleration in the areas of our Generics and also our Biologics business. In fact, at the end of the third quarter, Biologics is roughly around 25% of West and we expect those two particular areas to outpace the rest of the business. We are geographically dispersed throughout the world with 25 manufacturing locations and approximately 8,000 employees worldwide.

These are trends that you've been listening to all day today, yesterday, and the day before here at the conference, but these are positive trends for the future of West. When you think about the number of molecules going through approval that are injectable versus oral and other forms of delivery, you think about the increased regulations for combination drugs, and you think about the growth in the both Generics and also in the Biologics is increasing. And again, when you think about the position that we're at West, we're in a very good position to be able to address these market trends.

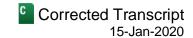
So, we have a very clear strategic direction as an organization. The first pillar is around market-led and exceptional customer experience, and we'll get into greater detail in a moment. The second is operational effectiveness. It's really taking 25 manufacturing locations and allowing us to be more effective by working from a network perspective. And it's fueling new opportunities with product and service differentiation through innovation and new product launches. And all of these to create shareholder value over long periods of time. Again, going back to the core values, that's what's going to keep us delivering the results that we have in front of us.

I'm going to start with the first value, it's passion around the customers. It's obviously around service and it's around success of our customers is what we're focused on. When they created the new innovative molecule for a therapy, for us to be part of that journey early on in the pipeline and actually see it through commercialization and have a tremendous impact on human health is what we strive for each and every day.

While we're working with our customers in becoming more market-led, we're hearing about where are the gaps in the portfolio, where are the gaps in the services that we can provide due to the capabilities and the core competencies at West. And we're looking at ways how can we meet the future needs of these new therapies that are in front of us today that enable very complex delivery mechanisms for the patients.

So therefore, when you start thinking about the value propositions of our four discrete areas, they are unique and, therefore, our alignment to our customers allows us to move a more agile methodology to make sure that we are

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addressing these concerns on a daily basis. You think about the Biologics, it's not just the primary packaging configuration and using our highest-quality product, NovaPure, as an example. But it's also how do you differentiate the molecule in the marketplace through using a combination device, i.e., SmartDose. Or you think about the Generics, a bill to help our customers' speed-to-market by leveraging our AccelTRA program that addresses speed, addresses quality, and addresses the complete documentation required for filing. And also, when you think about efficient manufacturing, it allows us to streamline and allows us to support our customers in a more expedient fashion.

These customer-centric approaches that we have taken has given us the ability, in all cases, to drive performance above market volumes. We think about market growth, we think about unit consumption. So, in the biologics area, we see market growth about 5% to 10%. In the pharma area, it's relatively flat from a unit consumption perspective and the generics is roughly around 3% to 4%. In all cases in our market units, due to volume capture but also through the high-value product mix shift, we're able to grow more aggressively in all three areas.

When you think about the portfolio that we have today, and this has been a journey that we have been on for a number of years. But historically, it used to be around the standard products and now they're more differentiated through services and capabilities as you see through this that allows us to, again truly differentiate. And as you go up the spectrum, we continuously see penetration and traction that allows us to grow, again, above market rates.

Let's go a little bit further with high value products. High value products is growing double digits at West and what's driving this growth is the new innovations that we have available such as our partnership with Daikyo in the FluroTec coating that allows us to be on near 100% of all the biologic compounds in the marketplace today.

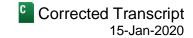
In 2018, roughly 20% of the units that we manufacture are in high-value products while that represents at that time roughly around 58% of revenues in proprietary. If you think about double-digit growth in high-value products, that equates to about 100 basis points of additional units produced in our manufacturing processes. So, you can see from 2014 to 2018, going from 16% to 20% represents double-digit growth in high-value products for West.

If you think about the year-to-date through the first three quarters, again, we're looking at about 100 basis points increase on units, and again about 63% of revenues are proprietary. What's also important is the mix shift that's generating more margin expansion and the high-value products in our portfolio is roughly around 55% to 60% gross margin, and you look at the rest of the portfolio it's roughly around 25% to 30%. Again, the fuel of the growth of West is really driving the high-value product conversion for new molecules but also existing platforms leveraging the entire portfolio.

But looking forward as we speak here, we stand today, what's really exciting is the market penetration on some new products that have been introduced over the last recent years. To give you an example, in all of these five areas we're currently expanding or have recently expanded capacity and capabilities to actually handle the market demand that we currently have in our hands today.

AccelTRA is a program that we've seeded the market a couple of years ago, specifically around generics and has over 100 molecules that have been – there being tested with the AccelTRA program. If you think about the Crystal Zenith, 1 mL insert needle and we've been reviewing Crystal Zenith and seen how this could be effective in the marketplace. But now with the recent launches of new molecules being introduced to the market with the Crystal Zenith 1 mL insert needle as the delivery solution, we're now at the point where we're expanding capacity in our Arizona facility to handle the demand that's currently in our possession.

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NovaPure is a product portfolio that took a couple years to see the market in particularly around the biologics area and through several steps of stability tests, improving the effectiveness of the solution, it's not only supporting the large biotech companies but also it's the go-to product portfolio with the emerging biotechs and small, midsized biotechs when they're launching new drug molecules.

And not to leave out the devices that we're seeing continued growth and it's exciting. We just expanded our ability to produce SelfDose in Puerto Rico. That capacity is online this month and actually it's a 10-fold capacity than we had in the past. And that's very exciting because that's actually supporting a number of customers in the generic space molecules that are currently on the market.

And SmartDose, we continue to have a number of increased interests through to development agreements and this is just not new molecules coming in the market in the biologic space, but it's also the transition from IV infusion to subcu. In order to perform that function, we're able to – our device is able to hold up to 10 mLs to 20 mLs and deliver it precisely over a period of time depending on the requirements of our customer and this is a new opportunity to – it's a disruptive technology that help us and help our customers improve patient experience.

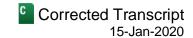
All these investments are going into portfolios that have higher revenue growth, higher market growth opportunities and higher gross margin expansion opportunities when you consider the whole portfolio of West. Exciting time for West and these are installed capacities that we'll see continue to roll out throughout 2020.

Another solution that we've recently launched because the complexity in the biologic space is providing a complete solution what we call integrated solutions. It's just combining the entire West offering of our analytical services, our scientific knowledge and our capabilities with materials science expertise along with the fill-finish support and quality and regulatory support that we provide on a global basis. This is starting to gain traction. We're excited about the possibilities because it's opened up the conversation about what additional products and services do we need to bring into West that will support our customers on their journey to launch very important drug molecules.

That cannot be done without the scientific and the technical knowledge that we have at West. One of the areas that we've put investments in is around a Knowledge Center. It's a portal. It's a new channel that allows the scientific community of our customer base to go into and to identify how to configure the appropriate primary packaging containment and/or delivery device to be able to support their drug launch. And by having these type of capabilities internally and supporting our customers on their journey, we are the go-to company when they start trying to figure out how to get the molecule into a delivery device. It's impressive results but, frankly speaking, this has been going on for a number of years and we continue to add resources in this area to continuously differentiate in an area of the market that is definitely positioned well for West.

The second area of value proposition is leadership in quality. When you're talking about 40-plus-billion components a year, sometimes you got to figure out how do you ensure that each and every component that leaves the facility is meeting the highest-level quality standards for each and every customer across the globe and that's part of the DNA of this organization. That doesn't happen overnight. You can have posters, you can have conversations, you can have presentations. But the reality is when you go into a manufacturing facility and talk to our colleagues on the shop floor who are making 10 million, 20 million, 30 million components a year themselves, you ask them the question how do you ensure integrity and the highest-level quality. We can have systems. We can have vision inspection and so forth. In their mind, they're saying each and every one of these components has a patient name on it. That's part of the DNA of this organization. And we believe strongly every dose every time, 100% commitment. And, again, I truly believe that's a clear differentiator of our organization and that spreads really well in our operations footprint as we continuously look at ways to improve our network.

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Two years ago, we had 29 manufacturing facilities around the world. That was after we just completed a greenfield expansion in Waterford, Ireland for one of our high-value product manufacturing capabilities and our proprietary business, and we spent about \$120 million on that investment. So, we went to 29 manufacturing facilities as a growing organization, volumes are growing, capabilities are growing. We identified there's better ways to run our global operations by looking as a single network. By doing that, we're able to move in the last two years from 29 manufacturing facilities down to 25 without skipping a beat to our customers.

Are there opportunities to even go further? The answer is absolutely yes. But what we're looking at, at this point is driving more through automation, which we're investing in at this point in time to allow us to utilize existing facilities more effectively. So, as we talk about capital investments, as I showed in the earlier slide, we're looking at about 6% to 7% of our sales, will be spent towards capital expenditures to invest back into organic growth at West. And when you split that out, roughly around \$40 million, \$45 million a year is on maintenance to keep our facilities operating at the highest level of quality and safety, about \$10 million to \$15 million is on our IT infrastructure and the balance is on growth initiatives and capacity expansions.

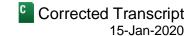
Those type of investments including automation is going to allow us to better utilize the current assets that we have today versus continuously adding more facilities and acquiring land across the globe. In fact, we should not hear about further building and land expansions over the next couple years at West, but deploy the capital into more technology and automation which has a better return on capital in a shorter period of time.

But by pulling together this One West network system, we've been able to leverage our global organization to drive continuous improvement and focus around four key areas we measure consistently throughout the world in every facility. It's around safety, quality, service, and cost. One area I'm very proud of is that the safety improvement has been quite significant at West over the last four years. While we had a very safe environment but the environment we have today is much more in line with what we believe is in best-in-class. Our quality metrics, when we start talking about out of spec of 6 per billion when you consider about 40-plus-billion components a year is a direction that is definitely the right direction which we can improve upon but we've made significant improvements in that area again in service and cost.

One area on this – there's two areas in this slide I want to talk about real quickly. One is on advanced manufacturing engineering. We're really excited about some of the automation we're putting in place. We've put a pilot in place in Kinston, North Carolina which is one of our high-value product manufacturing facilities, end-to-end, full automation on some of our elastomer components. We have that process validated. We had particular customers come through and validated the process themselves and we're excited about rolling this out even further through in 2020 and beyond to really drive the efficiencies and improvement on quality and yield throughout the whole organization.

The last one is on digital transformation. And what's really exciting about digital is a lot of people talk about becoming more digitized. And I truly believe where we're looking at West is going from an analog organization to more a digital organization. Sounds great and you can put it on a poster but the reality is how do we actually obtain that? Well, our organization, led by one of our digital leaders, we've actually created a digital technology center in Bangalore, India. With that center, we actually went from 0 to 200-plus software engineers within nine months, experiences in many different disciplines. And there are three key areas that they're focused on. One is on external experience. It's ensuring that we are continuously on the leading edge in our industry and our space around the Knowledge Center and the e-commerce platform for our customers to interact with West outside the traditional channels.

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The second area is internal experience. In both the external and internal experience, we want to have a consumer-grade, device-agnostic experience. And so, to have the old methodology, we want our customers to come into our site and feel very comfortable to navigate and get the information quickly. But we also want that internally so we can become much more efficient.

The areas that we're focused on here, as I talked about automation, in order to implement the automation, you need that digital component and that capability and that's what we're building out, and we have the in-house capabilities on the software engineering side to do that out of Bangalore to support our manufacturing sites globally.

The third area I'm really excited about is digitizing our products. And we have – looking at connectivity, we're looking at machine learning predictability, biometric sensors. It's not just talk as we actually have prototypes that we're working with customers to ensure it's meeting their expectations as we launch new devices and products into the marketplace with that connectivity capability. So, again early on in the journey, teams in place, it's internal-focused in regards to resource capabilities and functionality, and we are the controllers of our own destiny in this particular space.

The last area I want to talk about is One West Team. As a historic company of 97 years, we operated somewhat independently and site by site. By bringing that together we're able to really drive efficiencies, unleash the talent of our employees and drive more of a One West approach versus different regions, different sites and different divisions. We're heavily focused on safety, respect for one another and also supporting our local communities.

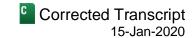
And that takes me to the whole conversation about driving sustainable business practices. A couple of years ago, we came out with our first corporate social responsibility report. If you're interested, we update this on an annual basis. It's available on our website at westpharma.com. But we have six pillars we're focused on in this particular sustainability business practice; compliance, philanthropy, health and safety, diversity, environmental sustainability, and quality.

In early stages, we are starting to get the accolades you can see highlighted down below. But more importantly, it's not just for the accolades. This is good business not for just our customers, but for the patients, for our employees and the communities which we work and live throughout the globe. So, I'm very proud of what the team has accomplished in such a short period of time. There's more to be done but we definitely have the right platform to work from to really drive this One West Team and sustainable business model for many years to come.

Performance is the key metric. And as you look at a company not just short-term, but long term, performance and sustainability and criticality in the healthcare space, this is one company you should be looking at. I always say graphs that go up to the right are good, most cases, except for safety down to the right. When you think about on revenue, our first three quarters of 2019 is a continuation of what you're seeing on the left-hand side. The first three quarters of 2019 for EPS is a continuation of what you're seeing in the middle. And, obviously, the results through the end of 2019 from a stock – shareholder price comparable against S&P 500 and S&P 400 MidCap is represented on the right-hand side.

But that's kind of looking in the mirror. Looking in the future, we truly believe, consistently, this business should be forming on an organic basis. Constant currency, you're looking at 6% to 8% sales growth. And when you think about the underlying trends that we spoke to about earlier, the growing biologics marketplace where ourselves, West, and our partner, Daikyo, are participating on close to 100% of every molecule that's approved in the marketplace. That's a pretty good position to be in with that market trend.

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Same situation with generics, we're gaining momentum in that area, taking more market share, so we feel really comfortable when we start thinking about that 6% to 8% annual organic sales growth. 100 basis points of operating profit margin improvement year-over-year for a number of years ahead of us, and that's really driven by – roughly around 50% or 60% of that benefit is coming from high-value product mix shift. The balance of about 20% to 30% is coming from – when you think about lean [ph] and driving this (00:25:00) global operations, automation, and global network. And the balance is coming from operational leverage when you think about able to leverage our SG&A more effectively on a global basis.

And, obviously, improving ROIC and improving cash flow which we have been doing, we believe we can continue to do that as we go forward. What's important about the ROIC in my mind is that the investments we're making now in capital tend to have a shorter payback period than what we have done in the past because we're not focused on buildings, we're not focused on land; we're focused on technology, automation, and capabilities that improve productivity and quality and service to our customers.

So, I'll leave you with that. I appreciate the time. Thank you very much. And I look forward to taking questions in the room across the hall. Thank you very much.

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