

West Pharmaceutical Services, Inc.

Third-Quarter 2019 Analyst Conference Call

9 a.m. Eastern Time, October 24, 2019

Speakers:

Eric M. Green
President and Chief Executive Officer

Bernard J. Birkett
Senior Vice President, Chief Financial Officer
and Treasurer

- A webcast of today's call can be accessed in the "Investors" section of the Company's website: www.westpharma.com
- To participate on the call, please dial:
 - 877-930-8295 (U.S.)
 - 253-336-8738 (International)
 - The conference ID is 9278868
- An online archive of the broadcast will be available at the website three hours after the live call and will be available through Thursday, October 31, 2019, by dialing:
 - 855-859-2056 (U.S.)
 - 404-537-3406 (International)
 - The conference ID is 9278868

These presentation materials are intended to accompany today's press release announcing the Company's results for the third-quarter 2019 and management's discussion of those results during today's conference call.

Safe Harbor Statement

Cautionary Statement Under the Private Securities Litigation Reform Act of 1995

This presentation and any accompanying management commentary contain “forward-looking statements” as that term is defined in the Private Securities Litigation Reform Act of 1995. Such statements include, but are not limited to, statements about product development and operational performance. Each of these statements is based on preliminary information, and actual results could differ from any preliminary estimates. We caution investors that the risk factors listed under “Cautionary Statement” in our press releases, as well as those set forth under the caption “Risk Factors” in our most recent Annual Report on Form 10-K as filed with the Securities and Exchange Commission and as revised or supplemented by our quarterly reports on Form 10-Q, could cause our actual results to differ materially from those estimated or predicted in the forward-looking statements. You should evaluate any statement in light of these important factors. Except as required by law or regulation, we undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events, or otherwise.

Non-U.S. GAAP Financial Measures

Certain financial measures included in these presentation materials, or which may be referred to in management’s discussion of the Company’s results and outlook, have not been calculated in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”), and therefore are referred to as non-U.S. GAAP financial measures. Non-U.S. GAAP financial measures should not be considered in isolation or as an alternative to such measures determined in accordance with U.S. GAAP. Please refer to “Reconciliation of Non-U.S. GAAP Financial Measures” at the end of these materials for more information.

Trademarks

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Third-Quarter 2019 Earnings Highlights







- Net sales of \$456.1 million grew 5.7%, organic sales growth was 7.9%
- Reported-diluted EPS of \$0.75 increased 3%
- Adjusted-diluted EPS of \$0.79 increased 4% ⁽¹⁾
- Company raised full-year 2019 net sales guidance to a new range of between \$1.815 billion and \$1.825 billion, compared to the prior guidance range of between \$1.810 billion and \$1.825 billion
- Company raised full-year 2019 adjusted-diluted EPS guidance to a new range of between \$3.10 and \$3.15, compared to the prior guidance range of between \$3.00 and \$3.10 ⁽¹⁾

(1) Please refer to “Notes to Non-U.S. GAAP Financial Measures” on slides 11-15, and “Non-U.S. GAAP Financial Measures” in today’s press release, for additional information regarding adjusted-diluted EPS.

Organic Sales Growth

Q3 2019

| | | | |
|---|-------------------------------------|-------|--|
| | Overall Organic Sales Growth | 7.9% | Proprietary Products organic sales growth of 8.5%, led by sales of high-value products, which grew double digits |
|  | Biologics | DD | Sales led by high-value products, including NovaPure [®] , Daikyo [®] and Flurotec [®] components as well as products incorporating Daikyo's Crystal Zenith [®] technology |
|  | Generics | MSD | Sales led by sales of Daikyo components, products incorporating Crystal Zenith technology, self-injection platforms and Westar [®] RU |
|  | Pharma | (MSD) | Sales decline due to the impact of a previously-reported voluntary recall of our Vial2Bag [®] product |
|  | Contract Manufacturing | MSD | Organic sales growth of 6.0%, led by sales of healthcare-related injection and diagnostic devices |

Abbreviations: LSD – low-single digit; MSD – mid-single digit; HSD – high-single digit; DD – double digit

High-Value Product Expansion Opportunities

NOVAPURE



SMARTDOSE[®]
GEN. II 10mL

West 

大協精工
DAIKYO 

Third-Quarter 2019 Summary Results

(\$ millions, except earnings-per-share (EPS) data)

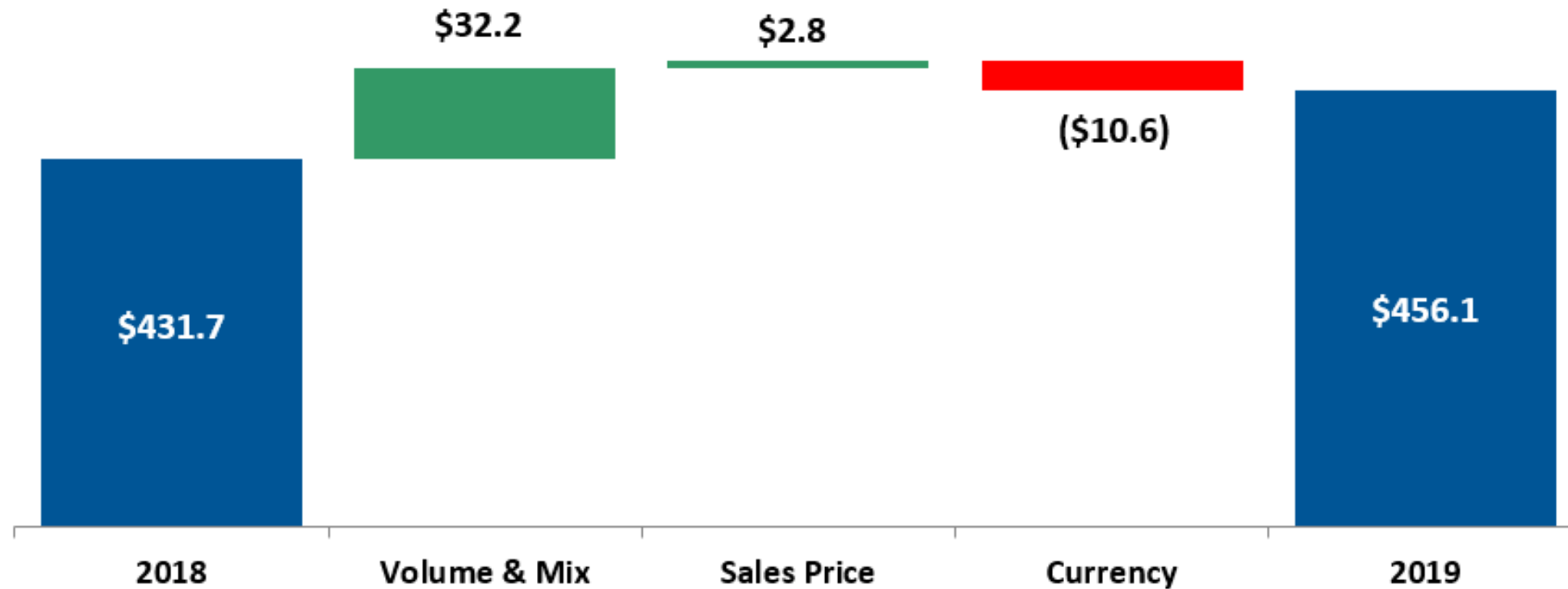
| | Three Months Ended September 30, | |
|---|-------------------------------------|----------------|
| | 2019 | 2018 |
| Reported Net Sales | \$456.1 | \$431.7 |
| Gross Profit Margin | 32.4% | 31.4% |
| Reported Operating Profit | \$67.3 | \$60.8 |
| Adjusted Operating Profit | \$70.1 | \$63.1 |
| Reported-Diluted EPS | \$0.75 | \$0.73 |
| Adjusted-Diluted EPS⁽¹⁾ | \$0.79 | \$0.76 |

(1) "Adjusted-diluted EPS" is a Non-U.S. GAAP financial measure. See slides 11-15 and the discussion under the heading "Non-U.S. GAAP Financial Measures" in today's press release for an explanation and reconciliation of this item. Except as noted, statements in these slides concerning comparative sales are measured on a constant-currency basis.

Change in Consolidated Net Sales

Third-quarter 2018 to 2019

(\$ millions)



Gross Profit Update

(\$ millions)

| | Three Months Ended September 30, | |
|---|-------------------------------------|----------------|
| | 2019 | 2018 |
| Proprietary Products Gross Profit | \$131.8 | \$120.4 |
| Proprietary Products Gross Profit Margin | 38.2% | 37.0% |
| Contract-Manufactured Products Gross Profit | \$16.0 | \$15.2 |
| Contract-Manufactured Products Gross Profit Margin | 14.4% | 14.3% |
| Consolidated Gross Profit | \$147.8 | \$135.6 |
| Consolidated Gross Profit Margin | 32.4% | 31.4% |

Cash Flow and Balance Sheet Metrics (\$ millions)

Cash Flow Items

| | YTD Q319 | YTD Q318 |
|-------------------------------|-------------|-------------|
| Depreciation and Amortization | \$77.1 | \$78.1 |
| Operating Cash Flow | \$260.8 | \$215.4 |
| Capital Expenditures | \$88.8 | \$74.7 |

Financial Condition

| | September 30, 2019 | December 31, 2018 |
|---------------------------|-----------------------|----------------------|
| Cash and Cash Equivalents | \$396.0 | \$337.4 |
| Debt | \$195.1 | \$196.1 |
| Equity | \$1,487.6 | \$1,396.3 |
| Working Capital | \$669.1 | \$610.7 |

2019 Full-Year Guidance

2019 Full-Year Guidance^(1,2)

Consolidated Net Sales

\$1.815 - \$1.825 billion

Adjusted-Diluted EPS

\$3.10 - \$3.15

(1) Please refer to “Notes to Non-U.S. GAAP Financial Measures” on slides 11-15, and “Non-U.S. GAAP Financial Measures” in today’s press release, for additional information regarding adjusted-diluted EPS.

(2) Guidance excludes possible cost and benefits from the announced 2018 Global Operations restructuring plan. It also does not include potential future tax benefits from stock-based compensation.

Notes to Non-U.S. GAAP Financial Measures

For additional details, please see today's press release & Safe Harbor Statement

- For the purpose of aiding the comparison of our year-over-year results, we may refer to net sales and other financial results excluding the effects of changes in foreign currency exchange rates.
- Organic net sales exclude the impact from acquisitions and/or divestitures and translate the current-period reported sales of subsidiaries whose functional currency is other than the U.S. Dollar at the applicable foreign exchange rates in effect during the comparable prior-year period.
- We may also refer to financial results excluding the effects of unallocated items.
- The re-measured results excluding effects from currency translation, the impact from acquisitions and/or divestitures, and the effects of unallocated items are not in conformity with U.S. GAAP and should not be used as a substitute for the comparable U.S. GAAP financial measures.
- The non-U.S. GAAP financial measures are incorporated into our discussion and analysis as management uses them in evaluating our results of operations and believes that this information provides users a valuable insight into our overall performance and financial position.
- A reconciliation of these adjusted Non-U.S. GAAP financial measures to the comparable U.S. GAAP financial measures is included in the accompanying tables.

Notes to Non-U.S. GAAP Financial Measures

RECONCILIATION OF NON-U.S. GAAP FINANCIAL MEASURES (UNAUDITED)

See “Notes to Non-U.S. GAAP Financial Measures” (Slides 11-15), “Cautionary Statement” (Slide 2) and today’s press release for an explanation and reconciliation of these items.

Reconciliation of Reported and Adjusted Operating Profit, Net Income and Diluted EPS

(\$ millions, except EPS data)

| | Operating profit | Income tax expense | Net income | Diluted EPS |
|--|---------------------|-----------------------|---------------|----------------|
| Three months ended September 30, 2019 | | | | |
| Reported (U.S. GAAP) | \$67.3 | \$10.9 | \$56.3 | \$0.75 |
| Restructuring and related charges | 1.8 | 0.4 | 1.4 | 0.01 |
| Pension settlement | - | 0.6 | 2.1 | 0.03 |
| Argentina currency devaluation | 1.0 | 0.3 | 0.7 | 0.01 |
| Tax law changes | - | 1.0 | (1.0) | (0.01) |
| Adjusted (Non-U.S. GAAP) | \$70.1 | \$13.2 | \$59.5 | \$0.79 |
| Nine months ended September 30, 2019 | | | | |
| Reported (U.S. GAAP) | \$218.5 | \$42.5 | \$177.8 | \$2.36 |
| Restructuring and related charges | 3.8 | 0.9 | 2.9 | 0.03 |
| Pension settlement | - | 0.6 | 2.1 | 0.03 |
| Argentina currency devaluation | 1.0 | 0.3 | 0.7 | 0.01 |
| Tax law changes | - | 1.0 | (1.0) | (0.01) |
| Adjusted (Non-U.S. GAAP) | \$223.3 | \$45.3 | \$182.5 | \$2.42 |

Notes to Non-U.S. GAAP Financial Measures

RECONCILIATION OF NON-U.S. GAAP FINANCIAL MEASURES (UNAUDITED)

See “Notes to Non-U.S. GAAP Financial Measures” (Slides 11-15), “Cautionary Statement” (Slide 2) and today’s press release for an explanation and reconciliation of these items.

Reconciliation of Reported and Adjusted Operating Profit, Net Income and Diluted EPS (\$ millions, except EPS data)

| | Operating profit | Income tax expense | Net income | Diluted EPS |
|--|---------------------|-----------------------|---------------|----------------|
| Three months ended September 30, 2018 | | | | |
| Reported (U.S. GAAP) | \$60.8 | \$8.0 | \$55.2 | \$0.73 |
| Restructuring and related charges | 1.2 | 0.3 | 0.9 | 0.01 |
| Argentina currency devaluation | 1.1 | - | 1.1 | 0.02 |
| Tax law changes | - | (0.4) | 0.4 | - |
| Adjusted (Non-U.S. GAAP) | \$63.1 | \$7.9 | \$57.6 | \$0.76 |
| Nine months ended September 30, 2018 | | | | |
| Reported (U.S. GAAP) | \$174.5 | \$26.5 | \$154.9 | \$2.05 |
| Restructuring and related charges | 6.7 | 1.5 | 5.2 | 0.07 |
| Argentina currency devaluation | 1.1 | - | 1.1 | 0.02 |
| Tax law changes | - | 4.1 | (4.1) | (0.06) |
| Adjusted (Non-U.S. GAAP) | \$182.3 | \$32.1 | \$157.1 | \$2.08 |

Notes to Non-U.S. GAAP Financial Measures

RECONCILIATION OF NON-U.S. GAAP FINANCIAL MEASURES (UNAUDITED)

See “Notes to Non-U.S. GAAP Financial Measures” (Slides 11-15), “Cautionary Statement” (Slide 2) and today’s press release for an explanation and reconciliation of these items.

Reconciliation of Net Sales to Organic Net Sales ⁽¹⁾ (\$ millions)

| Three months ended September 30, 2019 | Proprietary | CM | Eliminations | Total |
|--|-------------|---------|--------------|-----------|
| Reported net sales (U.S. GAAP) | \$345.2 | \$111.1 | \$(0.2) | \$456.1 |
| Effect of acquisitions and/or divestitures | (1.0) | - | - | (1.0) |
| Effect of changes in currency translation rates | 8.6 | 2.0 | - | 10.6 |
| Organic net sales (Non-U.S. GAAP) ⁽¹⁾ | \$352.8 | \$113.1 | \$(0.2) | \$465.7 |
| | | | | |
| Nine months ended September 30, 2019 | Proprietary | CM | Eliminations | Total |
| Reported net sales (U.S. GAAP) | \$1,045.9 | \$323.6 | \$(0.2) | \$1,369.3 |
| Effect of acquisitions and/or divestitures | (2.0) | - | - | (2.0) |
| Effect of changes in currency translation rates | 37.6 | 7.7 | - | 45.3 |
| Organic net sales (Non-U.S. GAAP) ⁽¹⁾ | \$1,081.5 | \$331.3 | \$(0.2) | \$1,412.6 |

- (1) Organic net sales exclude the impact from acquisitions and/or divestitures and translate the current-period reported sales of subsidiaries whose functional currency is other than the U.S. Dollar at the applicable foreign exchange rates in effect during the comparable prior-year period.

Notes to Non-U.S. GAAP Financial Measures

RECONCILIATION OF NON-U.S. GAAP FINANCIAL MEASURES (UNAUDITED)

See “Notes to Non-U.S. GAAP Financial Measures” (Slides 11-15), “Cautionary Statement” (Slide 2) and today’s press release for an explanation and reconciliation of these items.

Reconciliation of Reported-Diluted EPS Guidance to Adjusted-Diluted EPS Guidance

| | 2018 Actual | 2019 Guidance | % Change |
|---|-------------|------------------|----------------|
| Reported-diluted EPS (U.S. GAAP) | \$2.74 | \$2.99 to \$3.04 | 9.1% to 10.9% |
| Restructuring and related charges | 0.08 | 0.07 | |
| Pension settlement | - | 0.04 | |
| Argentina currency devaluation | 0.02 | 0.01 | |
| Tax law changes | (0.03) | (0.01) | |
| Adjusted-diluted EPS (Non-U.S. GAAP) ⁽¹⁾ | \$2.81 | \$3.10 to \$3.15 | 10.3% to 12.1% |

- (1) See “Full-Year 2019 Financial Guidance” and “Non-U.S. GAAP Financial Measures” in today’s press release for additional information regarding adjusted-diluted EPS.

In 2018, tax benefits associated with stock-based compensation increased adjusted-diluted EPS by \$0.19. We have opted not to forecast 2019 tax benefits from stock-based compensation in upcoming quarters, as they are out of the Company’s control. Instead, we recognize the benefits as they occur. In the third-quarter 2019 and first-nine months of 2019, tax benefits associated with stock-based compensation increased adjusted-diluted EPS by \$0.05 and \$0.12, respectively. Any future tax benefits associated with stock-based compensation that we receive in 2019 would provide a positive adjustment to our full-year EPS guidance.