

# West Pharmaceutical Services, Inc.

Fourth Quarter 2019 Analyst Conference Call

9 a.m. Eastern Time, February 13, 2020

## Speakers:

Eric M. Green  
President and Chief Executive Officer

Bernard J. Birkett  
Senior Vice President and Chief Financial Officer

- A webcast of today's call can be accessed in the "Investors" section of the Company's website: [www.westpharma.com](http://www.westpharma.com)
- To participate on the call, please dial:
  - 877-930-8295 (U.S.)
  - 253-336-8738 (International)
  - The conference ID is 5587337
- An online archive of the broadcast will be available at the website three hours after the live call and will be available through Thursday, February 20, 2020, by dialing:
  - 855-859-2056 (U.S.)
  - 404-537-3406 (International)
  - The conference ID is 5587337

These presentation materials are intended to accompany today's press release announcing the Company's results for the fourth-quarter and full-year 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

Registered trademarks used in this report are the property of West Pharmaceutical Services, Inc. or its subsidiaries, in the United States and other jurisdictions, unless noted otherwise. Daikyo® is a registered trademark of Daikyo Seiko, Ltd.





# 2019 Fourth-Quarter and Full-Year Results and 2020 Guidance



- Q4 2019 net sales of \$470.6 million grew 11.4%, organic sales growth was 12.7%
- Full-year 2019 net sales of \$1.840 billion grew 7.1%; organic sales growth was 10.0%
- Q4 2019 reported-diluted EPS of \$0.84 increased 22%; Full-year 2019 reported-diluted EPS of \$3.21 increased 17%
- Q4 2019 adjusted-diluted EPS of \$0.82 increased 12%; Full-year 2019 adjusted-diluted EPS of \$3.24 increased 15% <sup>(1)</sup>
- Company introducing full-year 2020 net sales guidance in a range of \$1.95 billion to \$1.97 billion. Full-year 2020 reported-diluted EPS guidance is in a range of \$3.45 to \$3.55 <sup>(1)</sup>

(1) Please refer to “Notes to Non-U.S. GAAP Financial Measures” on slides 15-20 and “Non-U.S. GAAP Financial Measures” in today’s press release, for additional information regarding adjusted-diluted EPS.

# Organic Sales Growth

	Q4 2019	FY 2019	
<b>Overall Organic Sales Growth</b>	13%	10%	Proprietary Products Q4 2019 organic sales growth of 14.7%, led by sales of high-value products, which grew double digits
 <b>Biologics</b>	DD	DD	Q4 2019 sales led by high-value products, including Daikyo <sup>®</sup> , Westar <sup>®</sup> and Flurotec <sup>®</sup> components
 <b>Generics</b>	DD	HSD	Q4 2019 sales led by sales of Westar components and self-injection delivery platforms
 <b>Pharma</b>	DD	LSD	Q4 2019 sales led by high-value products and services and favorable year-over-year comparison due to the impact of a previously-reported voluntary recall of our Vial2Bag <sup>®</sup> product
 <b>Contract Manufacturing</b>	HSD	DD	Q4 2019 organic sales growth of 7.2%, 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 Products Fueling Growth in Support of Market Trends

Biologic Drug Molecules Increasing

Increased Regulations for Combination Drugs

Injectable Drug Market Growing

Generics Growing in Key Emerging Regions



**NOVAPURE.**



**SMARTDOSE<sup>®</sup>**



**Advanced Elastomer  
4040/40**



**AccelTRA<sup>®</sup>**  
**SELECT**  
*Quality. Speed. Simplicity.*

# “One West” Global Management System Driving Improved Performance

## One Global Approach Across All Sites



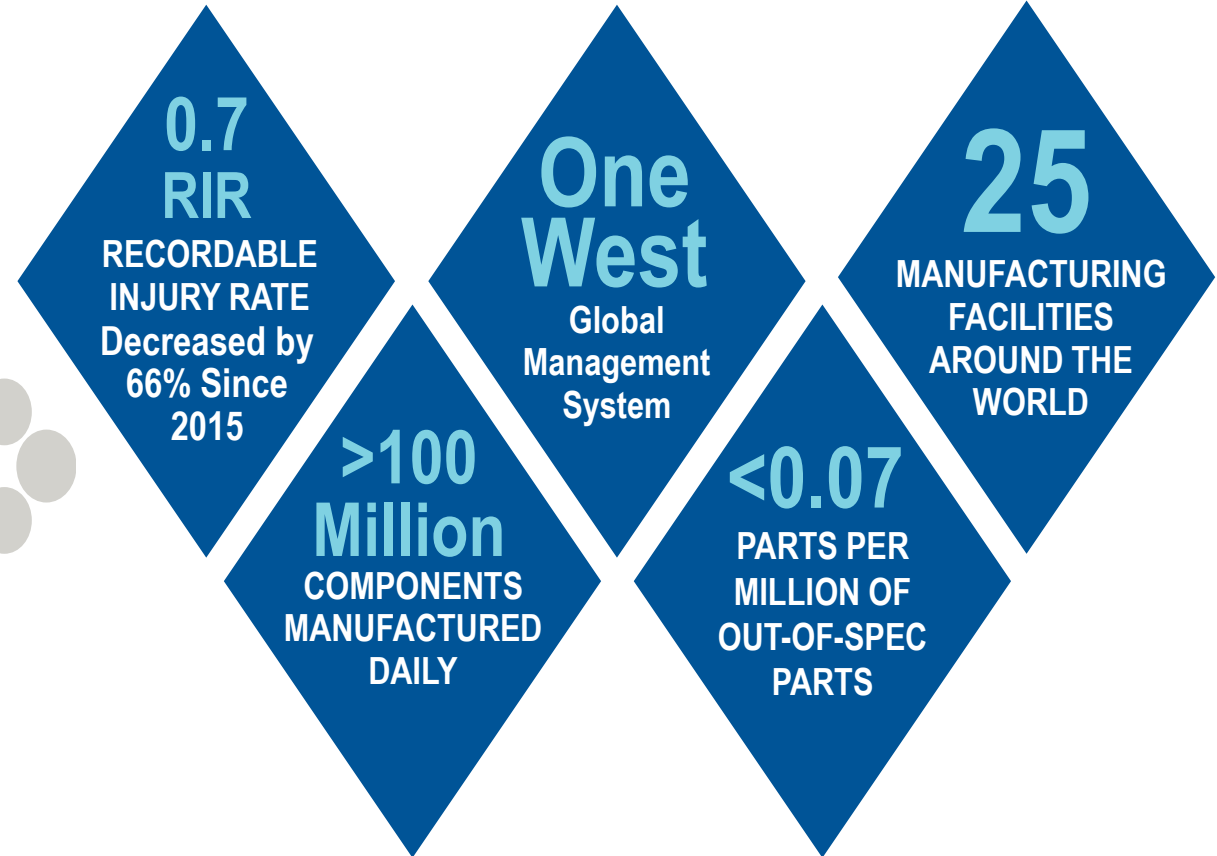
Manufacturing Strategy

Supply Chain

Process Excellence

Advanced Manufacturing Engineering

Digital Transformation



# Significant Presence in Asia Pacific Region



Acquisition of GIS Korea Ltd.



Established West's Digital Technology Center in India



Increased Equity stake in Daikyo partnership

# West is Driving Sustainable Business Practices

## Six Pillars

**9.7%** waste to landfill **REDUCTION**

**1.5%** energy efficiency improvement

**44%** of West's C-suite executive team comprised of women and/or U.S. minorities

**15% Decrease** in recordable injury rate (RIR) over 2018

**\$2.1M** in corporate **CHARITABLE GIVING** in 2019

Environmental Sustainability

Compliance & Ethics

Quality

Health & Safety

Diversity & Talent

Philanthropy



**Investor's Business Daily**  
2019 Best ESG Companies



Employer of the Year  
Kearney, NE



Invest in Ireland AWARDS  
CSR Initiative Award,  
Dublin, IE

**ecovadis**  
Gold Standard

PHILADELPHIA BUSINESS JOURNAL  
**FACES**  
OF PHILANTHROPY



**Newsweek**  
America's Most Responsible  
Companies 2020

**WCU**  
WEST CHESTER  
UNIVERSITY

Corporate  
President's  
Award



# Fourth-Quarter 2019 Summary Results

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

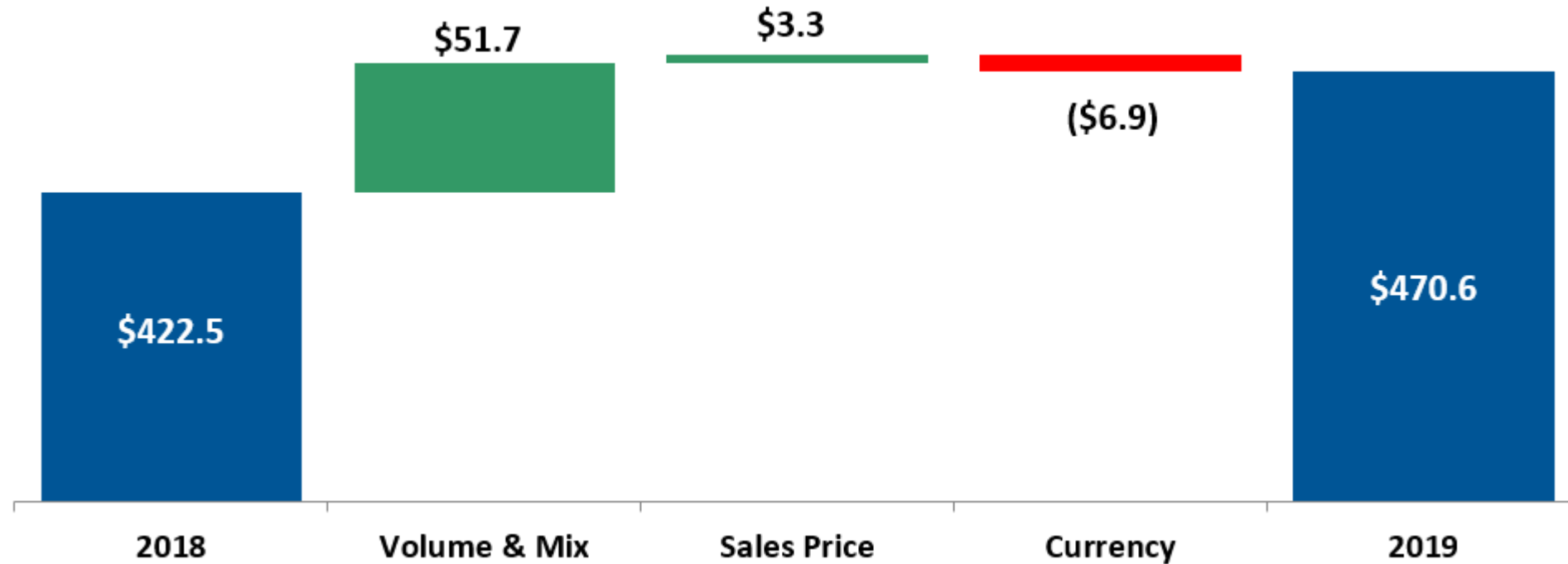
	Three Months Ended December 31,	
	2019	2018
<b>Reported Net Sales</b>	<b>\$470.6</b>	<b>\$422.5</b>
<b>Gross Profit Margin</b>	<b>32.5%</b>	<b>31.5%</b>
<b>Reported Operating Profit</b>	<b>\$78.1</b>	<b>\$65.8</b>
<b>Adjusted Operating Profit <sup>(1)</sup></b>	<b>\$73.1</b>	<b>\$67.1</b>
<b>Reported Operating Profit Margin</b>	<b>16.6%</b>	<b>15.6%</b>
<b>Adjusted Operating Profit Margin <sup>(1)</sup></b>	<b>15.5%</b>	<b>15.9%</b>
<b>Reported-Diluted EPS</b>	<b>\$0.84</b>	<b>\$0.69</b>
<b>Adjusted-Diluted EPS<sup>(1)</sup></b>	<b>\$0.82</b>	<b>\$0.73</b>

(1) “Adjusted Operating Profit”, “Adjusted Operating Profit Margin” and “Adjusted-Diluted EPS” are a Non-U.S. GAAP financial measures. See slides 15-20 and the discussion under the heading “Non-U.S. GAAP Financial Measures” in today’s press release for an explanation and reconciliation of these items.

# Change in Consolidated Net Sales

## Fourth-quarter 2018 to 2019

(\$ millions)



# Gross Profit Update

(\$ millions)

	Three Months Ended December 31,	
	2019	2018
<b>Proprietary Products Gross Profit</b>	<b>\$134.1</b>	<b>\$115.0</b>
<b>Proprietary Products Gross Profit Margin</b>	<b>38.0%</b>	<b>37.0%</b>
<b>Contract-Manufactured Products Gross Profit</b>	<b>\$19.3</b>	<b>\$18.2</b>
<b>Contract-Manufactured Products Gross Profit Margin</b>	<b>16.4%</b>	<b>16.4%</b>
<b>Consolidated Gross Profit</b>	<b>\$153.2</b>	<b>\$133.2</b>
<b>Consolidated Gross Profit Margin</b>	<b>32.5%</b>	<b>31.5%</b>

# Cash Flow and Balance Sheet Metrics

(\$ millions)

## Cash Flow Items

	YTD Q419	YTD Q418
Depreciation and Amortization	\$103.4	\$104.4
Operating Cash Flow	\$367.2	\$288.6
Capital Expenditures	\$126.4	\$104.7

## Financial Condition

	December 31, 2019	December 31, 2018
Cash and Cash Equivalents	\$439.1	\$337.4
Debt	\$257.3	\$196.1
Equity	\$1,573.2	\$1,396.3
Working Capital	\$717.1	\$610.7

# 2020 Full-Year Guidance

## 2020 Full-Year Guidance<sup>(1,2)</sup>

**Consolidated Net Sales**

**\$1.95 - \$1.97 billion**

**Reported-Diluted EPS**

**\$3.45 - \$3.55**

**Capital Spending**

**Approximately 7% of Consolidated Net Sales**

(1) Please refer to “Notes to Non-U.S. GAAP Financial Measures” on slides 15-20 and “Non-U.S. GAAP Financial Measures” in today’s press release, for additional information regarding adjusted-diluted EPS.

(2) The reported-diluted EPS guidance range does not include potential tax benefits from stock-based compensation. Any tax benefits associated with stock-based compensation received in 2020 would provide a positive adjustment to this guidance range.

# 2019

Innovating for  
Our Purpose  
&  
Our People

West  
innovation  
delivered  
**4 NEW PRODUCT  
SOLUTIONS**



**SHARED  
OUR  
INDUSTRY  
THOUGHT  
LEADERSHIP**

at key meetings, in  
scientific publications  
and through 90+  
published blogs in  
2019

**MAINTAINED A  
GOLD STANDARD  
FROM ECOVADIS,**

A leader in supplier  
sustainability ratings,  
placing us in the top  
5% of reporting  
companies

**12**

**INDUSTRY  
AWARDS**  
to acknowledge  
our impact on  
customers,  
patients and the  
community



**154  
PATENTS  
ISSUED**

to fuel future innovation



Partnered with  
**250+**  
**CHARITIES**  
Around the World

# 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 translates 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 15-20), “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)

Three months ended December 31, 2019	Operating profit	Income tax expense	Net income	Diluted EPS
Reported (U.S. GAAP)	\$78.1	\$16.5	\$63.9	\$0.84
Restructuring and related charges	1.1	0.3	0.8	0.02
Gain on restructuring-related sale of assets	(1.7)	(0.4)	(1.3)	(0.02)
Pension settlement	-	0.2	0.6	0.01
Argentina currency devaluation	-	(0.3)	0.3	-
Tax recovery	(4.4)	(1.5)	(2.9)	(0.04)
Tax law changes	-	(0.7)	0.7	0.01
Adjusted (Non-U.S. GAAP)	\$73.1	\$14.1	\$62.1	\$0.82



## 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 15-20), “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)

Twelve months ended December 31, 2019	Operating profit	Income tax expense	Net income	Diluted EPS
Reported (U.S. GAAP)	\$296.6	\$59.0	\$241.7	\$3.21
Restructuring and related charges	4.9	1.2	3.7	0.04
Gain on restructuring-related sale of assets	(1.7)	(0.4)	(1.3)	(0.02)
Pension settlement	-	0.8	2.7	0.04
Argentina currency devaluation	1.0	-	1.0	0.01
Tax recovery	(4.4)	(1.5)	(2.9)	(0.04)
Tax law changes	-	0.3	(0.3)	-
Adjusted (Non-U.S. GAAP)	\$296.4	\$59.4	\$244.6	\$3.24

## 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 15-20), “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)

<b>Three months ended December 31, 2018</b>	<b>Operating profit</b>	<b>Income tax expense</b>	<b>Net income</b>	<b>Diluted EPS</b>
Reported (U.S. GAAP)	\$65.8	\$14.9	\$52.0	\$0.69
Restructuring and related charges	2.4	0.3	2.1	0.02
Gain on restructuring-related sale of assets	(1.1)	(0.2)	(0.9)	(0.01)
Tax law changes	-	(1.6)	1.6	0.03
Adjusted (Non-U.S. GAAP)	\$67.1	\$13.4	\$54.8	\$0.73

## 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 15-20), “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)

<b>Twelve months ended December 31, 2018</b>	<b>Operating profit</b>	<b>Income tax expense</b>	<b>Net income</b>	<b>Diluted EPS</b>
Reported (U.S. GAAP)	\$240.3	\$41.4	\$206.9	\$2.74
Restructuring and related charges	9.1	1.9	7.2	0.09
Gain on restructuring-related sale of assets	(1.1)	(0.2)	(0.9)	(0.01)
Argentina currency devaluation	1.1	-	1.1	0.02
Tax law changes	-	2.5	(2.5)	(0.03)
Adjusted (Non-U.S. GAAP)	\$249.4	\$45.6	\$211.8	\$2.81

## 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 15-20), “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 <sup>(1)</sup>

(\$ millions)

Three months ended December 31, 2019	Proprietary	CM	Eliminations	Total
Reported net sales (U.S. GAAP)	\$352.7	\$117.9	\$ -	\$470.6
Effect of acquisitions and/or divestitures	(1.3)	-	-	(1.3)
Effect of changes in currency translation rates	5.5	1.4	-	6.9
Organic net sales (Non-U.S. GAAP) <sup>(1)</sup>	\$356.9	\$119.3	\$ -	\$476.2

Twelve months ended December 31, 2019	Proprietary	CM	Eliminations	Total
Reported net sales (U.S. GAAP)	\$1,398.6	\$441.5	\$(0.2)	\$1,839.9
Effect of acquisitions and/or divestitures	(3.3)	-	-	(3.3)
Effect of changes in currency translation rates	43.1	9.1	-	52.2
Organic net sales (Non-U.S. GAAP) <sup>(1)</sup>	\$1,438.4	\$450.6	\$(0.2)	\$1,888.8

(1) Organic net sales exclude the impact from acquisitions and/or divestitures and translates 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.