

# West Pharmaceutical Services, Inc.

## Fourth-Quarter & Full-Year 2017 Analyst Conference Call

### 9 a.m. Eastern Time, February 15, 2018

#### Speakers:

Eric M. Green  
President and Chief Executive Officer

William J. Federici  
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 9393569
- An online archive of the broadcast will be available at the site three hours after the live call and will be available through Thursday, February 22, 2018, by dialing:
  - 855-859-2056 (U.S.)
  - 404-537-3406 (International)
  - The conference ID is 9393569

These presentation materials are intended to accompany today's press release announcing the Company's results for the fourth-quarter and full-year 2017 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-GAAP financial measures. Non-GAAP financial measures should not be considered in isolation or as an alternative to such measures determined in accordance with GAAP. Please refer to “Reconciliation of Non-GAAP 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.

# Fourth-Quarter & Full-Year 2017 Results



- Q4 reported net sales of \$415.6 million, representing 4.5% organic sales growth
  - Excluding impact of Venezuela deconsolidation & hurricane-related shut-downs, sales growth would have been 6.0%
- Full-year 2017 reported net sales of \$1.6 billion, representing 5.2% organic sales growth
- Q4 adjusted-diluted EPS<sup>1</sup> was \$0.64, representing 19% growth
- Full-year 2017 adjusted-diluted EPS<sup>1</sup> was \$2.78, representing 28% growth

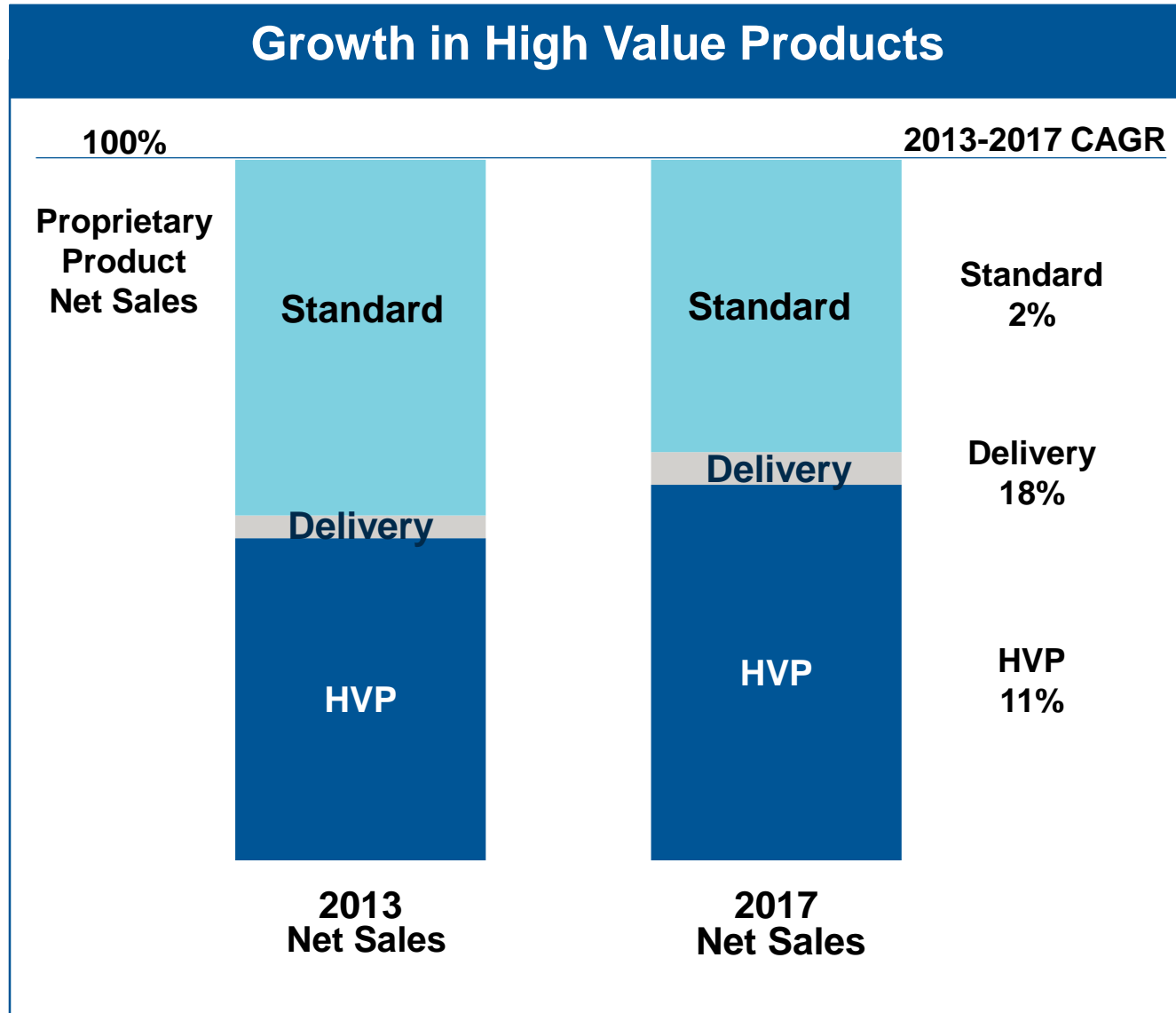
(1) Please refer to “Notes to Non-GAAP Financial Measures” on slides 16-20, and “Non-GAAP Financial Measures” in today’s press release, for additional information regarding adjusted diluted EPS.

# Organic Sales Growth

|                              | Q4 2016 | Q1 2017 | Q2 2017 | Q3 2017 | Q4 2017 | FY 2017 |
|------------------------------|---------|---------|---------|---------|---------|---------|
| Overall Organic Sales Growth | 7.7%    | 8.7%    | 3.9%    | 3.7%    | 4.5%    | 5.2%    |
| Biologics                    | DD      | MSD     | MSD     | LSD     | DD      | HSD     |
| Generics                     | (MSD)   | (MSD)   | (MSD)   | LSD     | HSD     | FLAT    |
| Pharma                       | HSD     | DD      | MSD     | (LSD)   | (LSD)   | MSD     |
| Contract Manufacturing       | DD      | DD      | DD      | DD      | DD      | DD      |

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

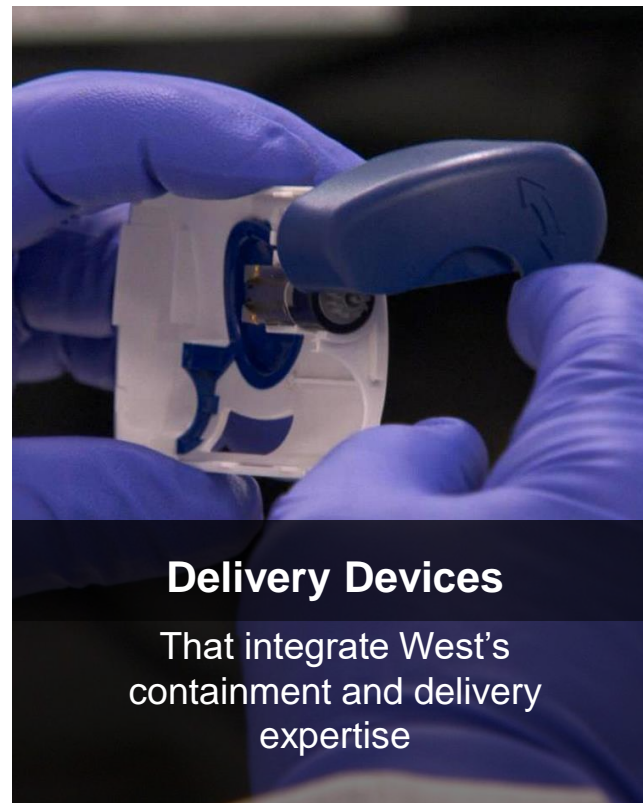
# Proprietary Products Business Segment



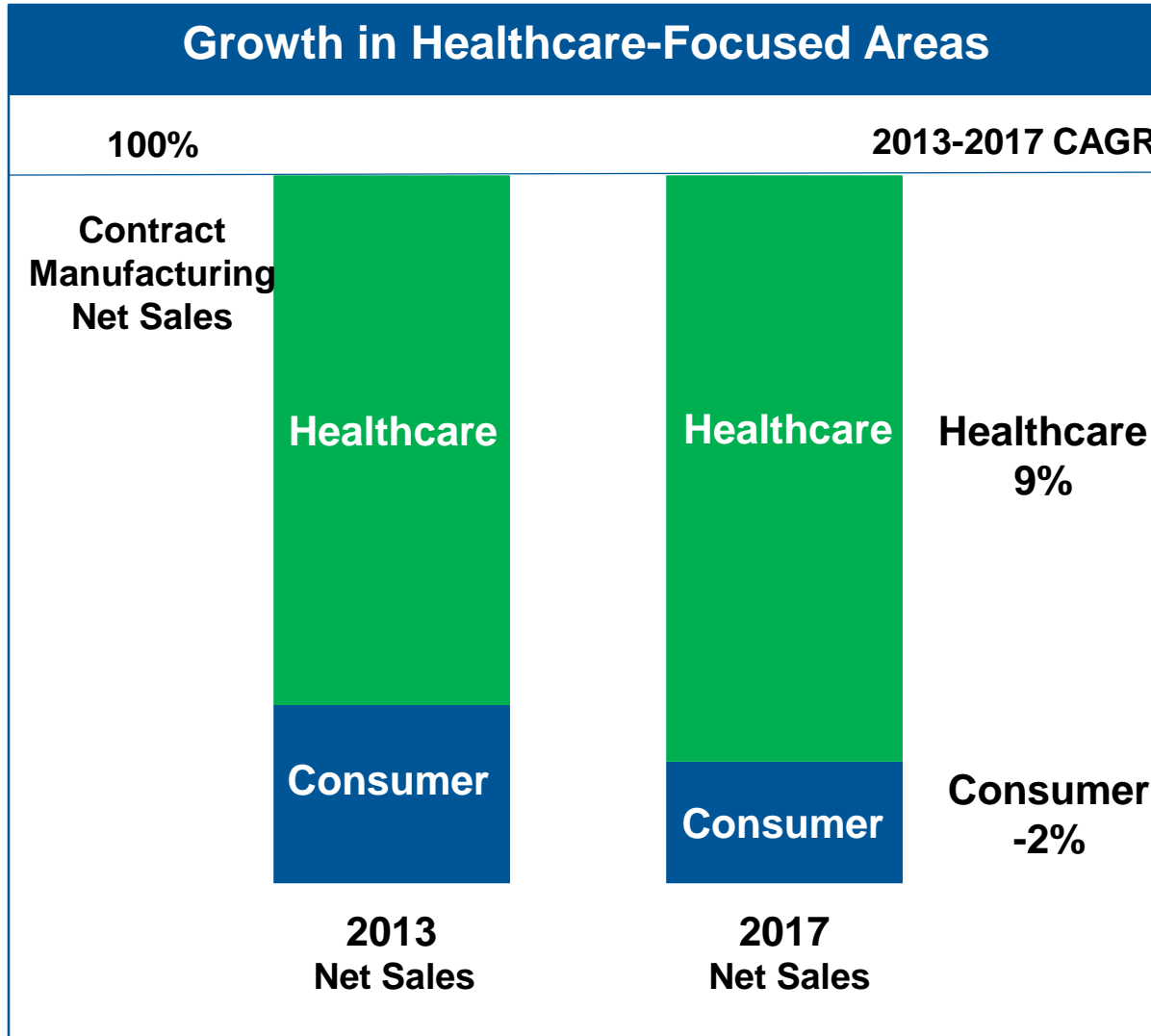
- High-value product sales grew annually by 11%
- Drug delivery business continues to expand off of a small base
  - SelfDose™ Injector—2018 PharmaPack Innovator Award
  - SmartDose® Platform next generation devices introduced in November, 2017
- Growth will be fueled by volume, price and adoption of HVP, including new product launches

# R&D Portfolio Productivity

*New products launched over the past five years contributed more than 100 basis points of organic sales growth in 2017*



# Contract Manufacturing Business Segment

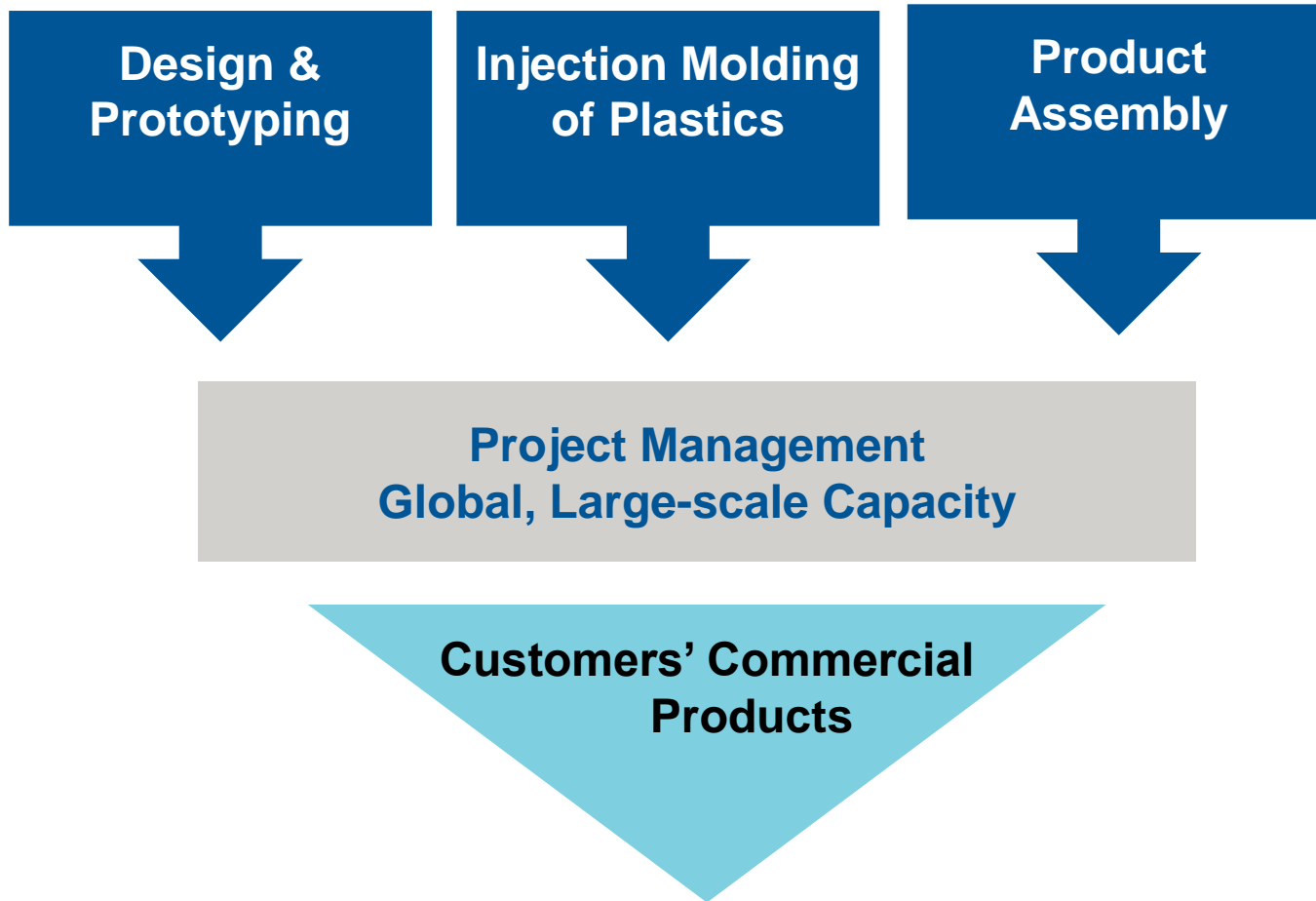


- Healthcare business grew annually by 9%
- Majority of growth is in the drug delivery & diagnostics segments
- As part of long-term strategy, de-emphasizing consumer to make room for additional healthcare-related business
- Future opportunity to expand capabilities to drive future growth



# Contract Manufacturing Business Segment

## West Contract Manufacturing Model



- 5 consecutive quarters of double-digit growth
- Expanding capabilities & capacity to grow healthcare business



**Dublin Contract Manufacturing Facility**



# Global Operations

- Improved results in service & quality to customers
  - More than 40% reduction in average lead time across network
  - Improved quality; less than 80 out-of-spec parts per billion
- Acceleration of process excellence improvements across global network, driving improvements in customer value stream
- Streamlining our plant network to enable investments to drive our high-value proprietary products and healthcare-related contract manufacturing business, and drive margin expansion



 **MANUFACTURING LEADERS** 2017 AWARD FINALIST

# Fourth-Quarter 2017 Summary Results

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

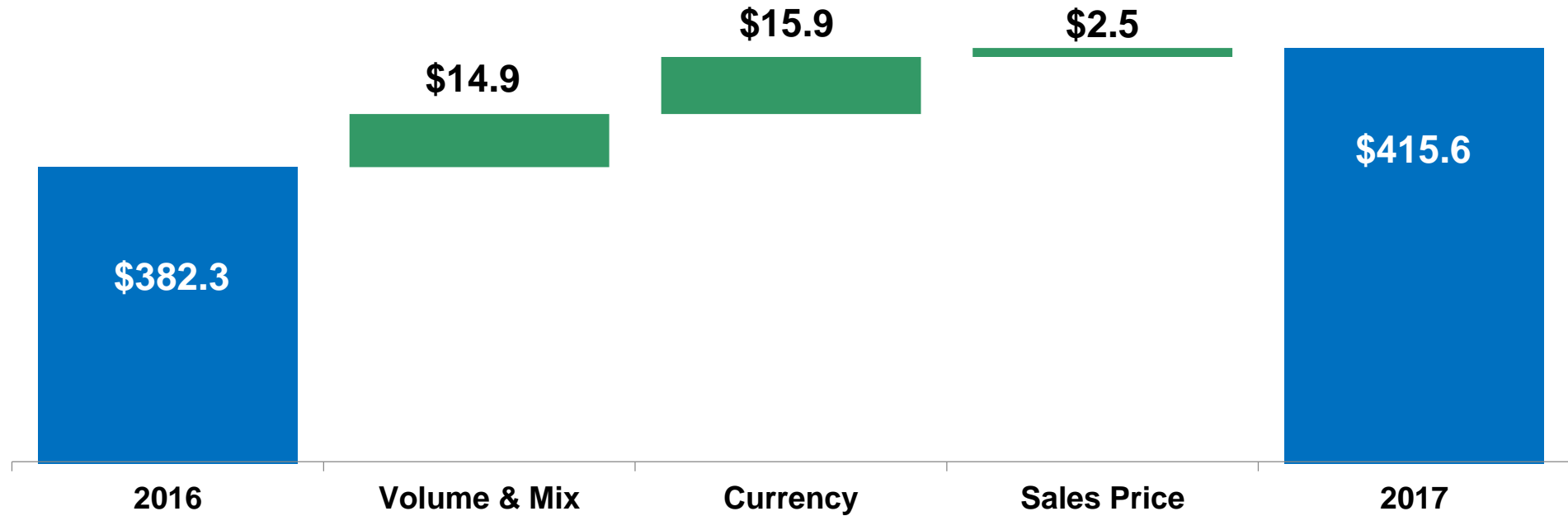
|  | Three Months Ended<br>December 31, |                |
|--|------------------------------------|----------------|
|  | 2017                               | 2016           |
| <b>Reported Net Sales</b>                            | <b>\$415.6</b>                     | <b>\$382.3</b> |
| <b>Net Sales at Constant Currency <sup>(1)</sup></b> | <b>\$399.7</b>                     | <b>\$382.3</b> |
| <b>Gross Profit Margin</b>                           | <b>30.9%</b>                       | <b>32.3%</b>   |
| <b>Reported Operating Profit</b>                     | <b>\$61.0</b>                      | <b>\$54.3</b>  |
| <b>Adjusted Operating Profit <sup>(1)</sup></b>      | <b>\$61.0</b>                      | <b>\$54.9</b>  |
| <b>Reported Diluted EPS</b>                          | <b>\$ -</b>                        | <b>\$0.52</b>  |
| <b>Adjusted Diluted EPS <sup>(1)</sup></b>           | <b>\$0.64</b>                      | <b>\$0.54</b>  |

(1) “Net sales at constant currency”, “adjusted operating profit”, and “adjusted diluted EPS” are Non-GAAP measures. See slides 16-20 and the discussion under the heading “Non-GAAP Financial Measures” in today’s press release for an explanation and reconciliation of these items. Except as noted, statements in these slides concerning comparative sales are measured on a constant currency basis.

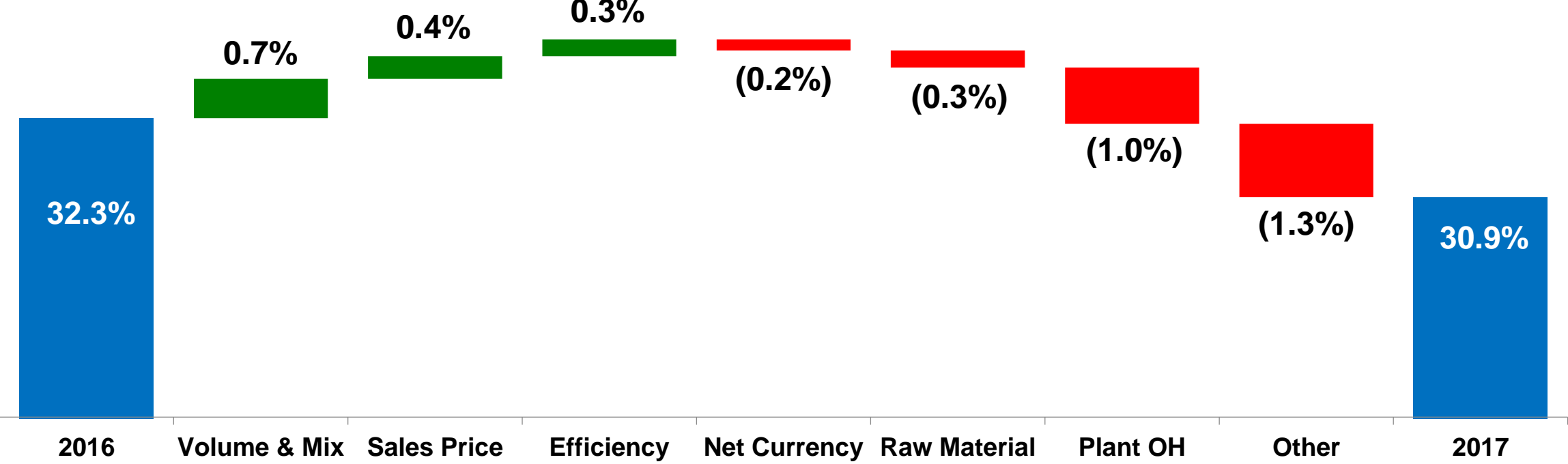
# Change in Consolidated Net Sales

## Fourth-quarter 2016 to 2017

(\$ millions)



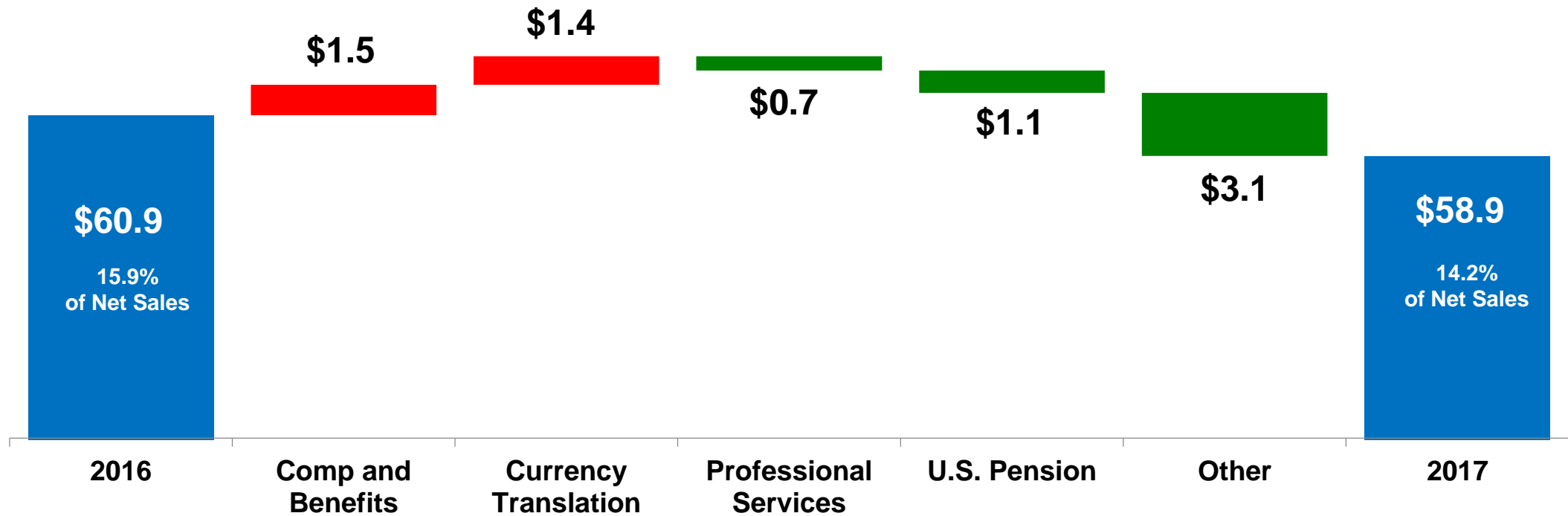
# Change in Gross Profit Margin % Fourth-quarter 2016 to 2017



# Change in SG&A Costs

## Fourth-quarter 2016 to 2017

(\$ millions)



# Cash Flow and Balance Sheet Metrics (\$ millions)

## CASH FLOW ITEMS (UNAUDITED) (in millions)

|                               | Twelve Months Ended December 31, |         |
|-------------------------------|----------------------------------|---------|
|                               | 2017                             | 2016    |
| Depreciation and amortization | \$96.7                           | \$90.7  |
| Operating cash flow           | \$263.3                          | \$219.4 |
| Capital expenditures          | \$130.8                          | \$170.2 |

## FINANCIAL CONDITION (UNAUDITED) (in millions)

|                                    | As of<br>December 31, 2017 | As of<br>December 31, 2016 |
|------------------------------------|----------------------------|----------------------------|
| Cash and cash equivalents          | \$235.9                    | \$203.0                    |
| Debt                               | \$197.0                    | \$228.6                    |
| Equity                             | \$1,279.9                  | \$1,117.5                  |
| Net debt-to-total invested capital | N/A                        | 2.2%                       |
| Working capital                    | \$464.0                    | \$400.9                    |

# Full-Year 2018 Guidance

- Full-year 2018 reported net sales are expected to be in a range between \$1.720 billion to \$1.730 billion\*
- Full-year 2018 net sales at constant-currency growth is expected to be within our long-term projected 6-8% range
  - Excluding 2017 net sales that will not recur in 2018, constant-currency sales growth is expected to be at the high end of that 6-8% range
- Full-year 2018 adjusted-diluted EPS is expected to be in a range between \$2.80 to \$2.90<sup>1,2</sup>
  - This includes an estimated positive EPS impact of \$0.14 from tax benefits from stock-based compensation
  - In conjunction with the ongoing Global Operations strategy, our Board of Directors has approved a restructuring program that will help streamline our manufacturing plant network. These changes are expected to be implemented over the next twelve to twenty-four months. The plan will require restructuring expense in the range of \$8.0 million to \$13.0 million and capital expenditures in the range of \$9.0 million to \$14.0 million. Once fully completed, we expect that the plan will provide the Company with annualized savings in the range of \$17.0 million to \$22.0 million.

\* Using exchange rate of \$1.20 per Euro.

(1) Please refer to “Notes to Non-GAAP Financial Measures” on slides 16-20, and “Non-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 Global Operations restructuring plan.



# Notes to Non-GAAP Financial Measures

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

Today's press release, these presentation materials and associated presentation use the following financial measures that have not been calculated in accordance with generally accepted accounting principles (GAAP) accepted in the U.S., and therefore are referred to as non-GAAP financial measures:

- Net sales at constant currency (organic sales)
- Adjusted operating profit
- Adjusted operating profit margin
- Adjusted net income
- Adjusted income tax expense
- Adjusted diluted EPS
- Net debt
- Total invested capital
- Net debt to total invested capital

West believes that these non-GAAP measures of financial results provide useful information to management and investors regarding business trends, results of operations, and the Company's overall performance and financial position. Our executive management team uses these financial measures to evaluate the performance of the Company in terms of profitability and efficiency, to compare operating results to prior periods, to evaluate changes in the operating results of each segment, and to measure and allocate financial resources to our segments. The Company believes that the use of these non-GAAP financial measures provides an additional tool for investors to use in evaluating ongoing operating results and trends in comparing its financial measures with other companies.

Our executive management does not consider such non-GAAP measures in isolation or as an alternative to such measures determined in accordance with GAAP. The principal limitation of these financial measures is that they exclude significant expenses and income that are required by GAAP to be recorded. In addition, they are subject to inherent limitations as they reflect the exercise of judgment by management about which items are excluded. In order to compensate for these limitations, non-GAAP financial measures are presented in connection with GAAP results. We urge investors and potential investors to review the reconciliations of our non-GAAP financial measures to the comparable GAAP financial measures, and not to rely on any single financial measure to evaluate the Company's business.

Net sales at constant currency 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. In calculating adjusted operating profit, adjusted income tax expense, adjusted net income and adjusted diluted EPS, we exclude the impact of items that are not considered representative of ongoing operations. Such items generally include restructuring and related costs, certain asset impairments, other specifically identified gains or losses, and discrete income tax items.

Please see "Financial Guidance" and "Non-GAAP Financial Measures" in today's press release for further information concerning reconciling items.

# Notes to Non-GAAP Financial Measures

## RECONCILIATION OF NON-GAAP MEASURES (UNAUDITED)

See “Notes to Non-GAAP Financial Measures” (Slide 16-20), “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 (\$ million, except EPS data)

|   | Operating profit | Income tax expense | Net income | Diluted EPS |
|---|------------------|--------------------|------------|-------------|
| <b>Three months ended December 31, 2017</b> |                  |                    |            |             |
| Reported (GAAP)                             | \$61.0           | \$61.8             | \$ -       | \$ -        |
| Tax law changes                             | -                | (48.8)             | 48.8       | 0.64        |
| Adjusted (Non-GAAP)                         | \$61.0           | \$13.0             | \$48.8     | \$0.64      |

|  | Operating profit | Income tax expense | Net income | Diluted EPS |
|--|------------------|--------------------|------------|-------------|
| <b>Twelve months ended December 31, 2017</b> |                  |                    |            |             |
| Reported (GAAP)                              | \$228.9          | \$80.9             | \$150.7    | \$1.99      |
| Tax law changes                              | -                | (48.8)             | 48.8       | 0.64        |
| Venezuela deconsolidation                    | 11.1             | -                  | 11.1       | 0.15        |
| Adjusted (Non-GAAP)                          | \$240.0          | \$32.1             | \$210.6    | \$2.78      |

# Notes to Non-GAAP Financial Measures

## RECONCILIATION OF NON-GAAP MEASURES (UNAUDITED)

See “Notes to Non-GAAP Financial Measures” (Slide 16-20), “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 (\$ million, except EPS data)

|   | Operating profit | Income tax expense | Net income | Diluted EPS |
|---|------------------|--------------------|------------|-------------|
| <b>Three months ended December 31, 2016</b> |                  |                    |            |             |
| Reported (GAAP)                             | \$54.3           | \$16.1             | \$39.1     | \$0.52      |
| Restructuring and related charges           | 2.7              | 0.9                | 1.8        | 0.02        |
| Pension curtailment gain                    | (2.1)            | (0.8)              | (1.3)      | (0.01)      |
| Tax law changes                             | -                | (0.7)              | 0.7        | 0.01        |
| Adjusted (Non-GAAP)                         | \$54.9           | \$15.5             | \$40.3     | \$0.54      |

|  | Operating profit | Income tax expense | Net income | Diluted EPS |
|--|------------------|--------------------|------------|-------------|
| <b>Twelve months ended December 31, 2016</b> |                  |                    |            |             |
| Reported (GAAP)                              | \$196.8          | \$54.4             | \$143.6    | \$1.91      |
| Restructuring and related charges            | 26.4             | 9.0                | 17.4       | 0.23        |
| Venezuela currency devaluation               | 2.7              | -                  | 2.7        | 0.04        |
| Pension curtailment gain                     | (2.1)            | (0.8)              | (1.3)      | (0.01)      |
| Tax law changes                              | -                | (1.0)              | 1.0        | 0.01        |
| Adjusted (Non-GAAP)                          | \$223.8          | \$61.6             | \$163.4    | \$2.18      |

# Notes to Non-GAAP Financial Measures

## RECONCILIATION OF NON-GAAP MEASURES (UNAUDITED)

See “Notes to Non-GAAP Financial Measures” (Slide 16-20), “Cautionary Statement” (Slide 2) and today’s press release for an explanation and reconciliation of these items.

### Reconciliation of Net Sales to Net Sales at Constant Currency <sup>(1)</sup>

(\$ million, except EPS data)

| <b>Three months ended December 31, 2017</b>              | <b>Proprietary</b> | <b>CM</b> | <b>Eliminations</b> | <b>Total</b> |
|--|--------------------|-----------|---------------------|--------------|
| Reported net sales (GAAP)                                | \$306.4            | \$109.2   | \$ -                | \$415.6      |
| Effect of changes in currency translation rates          | (12.3)             | (3.6)     | -                   | (15.9)       |
| Net sales at constant currency (Non-GAAP) <sup>(1)</sup> | \$294.1            | \$105.6   | \$ -                | \$399.7      |

| <b>Twelve months ended December 31, 2017</b>             | <b>Proprietary</b> | <b>CM</b> | <b>Eliminations</b> | <b>Total</b> |
|--|--------------------|-----------|---------------------|--------------|
| Reported net sales (GAAP)                                | \$1,236.9          | \$362.5   | \$(0.3)             | \$1,599.1    |
| Effect of changes in currency translation rates          | (8.4)              | (3.8)     | -                   | (12.2)       |
| Net sales at constant currency (Non-GAAP) <sup>(1)</sup> | \$1,228.5          | \$358.7   | \$(0.3)             | \$1,586.9    |

<sup>(1)</sup> Net sales at constant currency 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.

# Notes to Non-GAAP Financial Measures

## RECONCILIATION OF NON-GAAP MEASURES (UNAUDITED)

See “Notes to Non-GAAP Financial Measures” (Slide 16-20), “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

|   | 2017 Actual | 2018 Guidance    | % Change       |
|---|-------------|------------------|----------------|
| Reported-diluted EPS                                  | \$1.99      | \$2.80 to \$2.90 | 40.7% to 45.7% |
| Venezuela deconsolidation                             | 0.15        | -                |                |
| Tax law changes impact                                | 0.64        | -                |                |
| Adjusted-diluted EPS                                  | \$2.78      | \$2.80 to \$2.90 | 0.7% to 4.3%   |
| Stock compensation tax benefit                        | (0.44)      | (0.14)           |                |
| Adjusted-diluted EPS excluding stock comp tax benefit | \$2.34      | \$2.66 to \$2.76 | 13.7% to 17.9% |

**Notes:**

Please refer to “Notes to Non-GAAP Financial Measures” on slides 16 to 18, and “Non-GAAP Financial Measures” in today’s press release, for additional information regarding adjusted diluted EPS.

Guidance includes various currency exchange rate assumptions, most significantly the euro at \$1.20 for 2018. 2017 results were translated at an average rate of \$1.13. Each \$0.01 change in the euro exchange rate results in approximately a \$0.01 change in EPS.