

# West Pharmaceutical Services, Inc.

First-Quarter 2020 Analyst Conference Call

9 a.m. Eastern Time, April 23, 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 1865786

*An online archive of the broadcast will be available at the website three hours after the live call and will be available through Thursday, April 30, 2020, by dialing:*

855-859-2056 (U.S.)  
404-537-3406 (International)  
The conference ID is 1865786

These presentation materials are intended to accompany today's press release announcing the Company's results for the first quarter 2020 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.

# Unwavering Commitment to Our Mission



## Our Mission

To contain and deliver injectable therapies that improve patient lives.

# Our Focus in Uncertain Times



# 2020 First-Quarter Results

- Q1 2020 net sales of \$491.5 million grew 10.8%; organic sales growth was 12.7%
- Q1 2020 reported-diluted EPS of \$0.99 increased 36%; adjusted-diluted EPS of \$1.01 increased 36%
- Company maintaining full-year 2020 net sales guidance and updating full-year 2020 adjusted-diluted EPS guidance to a new range of \$3.52 to \$3.62 <sup>(1)</sup>



(1) Please refer to “Notes to Non-U.S. GAAP Financial Measures” on slides 13-16 and the discussion under the heading “Non-U.S. GAAP Financial Measures” in today’s press release, for additional information regarding adjusted-diluted EPS.

# Q1 2020 Organic Sales Growth



Q1 2020		
<b>Overall Organic Sales Growth</b>	12.7%	Proprietary Products Q1 2020 organic sales growth of 11.8%, led by sales of high-value products, which grew double digits
<b>Biologics</b>	DD	Sales led by high-value products, including Daikyo Crystal Zenith <sup>®</sup> syringes and cartridges, Daikyo <sup>®</sup> and NovaPure <sup>®</sup> components and self-injection platforms
<b>Generics</b>	HSD	Sales led by sales of Daikyo <sup>®</sup> , Westar <sup>®</sup> and FluroTec <sup>®</sup> components
<b>Pharma</b>	MSD	Sales led by high-value products and services including Westar <sup>®</sup> , NovaPure <sup>®</sup> and FluroTec <sup>®</sup> components
<b>Contract Manufacturing</b>	DD	Organic sales growth of 15.9%, led by sales of diagnostic and healthcare-related injection devices

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

# First-Quarter 2020 Summary Results

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

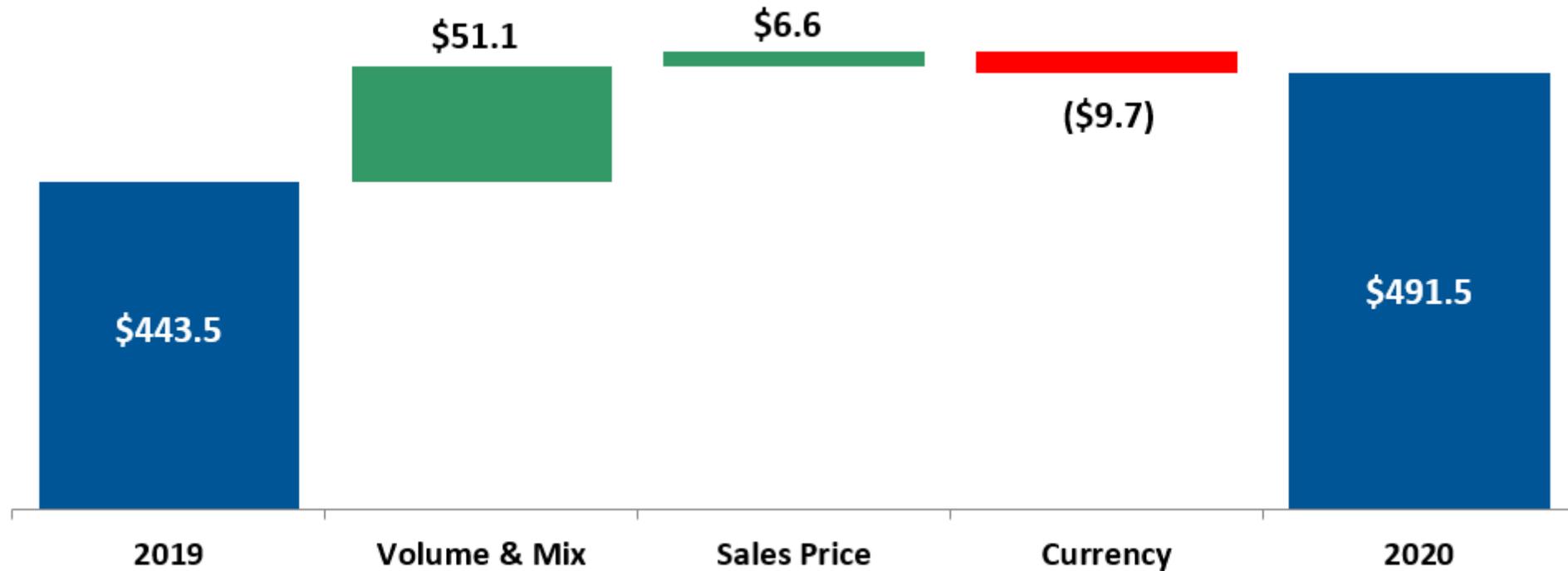
	Three Months Ended March 31	
	2020	2019
<b>Reported Net Sales</b>	<b>\$491.5</b>	<b>\$443.5</b>
<b>Gross Profit Margin</b>	<b>34.0%</b>	<b>33.1%</b>
<b>Reported Operating Profit</b>	<b>\$88.0</b>	<b>\$70.7</b>
<b>Adjusted Operating Profit <sup>(1)</sup></b>	<b>\$88.0</b>	<b>\$71.3</b>
<b>Reported Operating Profit Margin</b>	<b>17.9%</b>	<b>15.9%</b>
<b>Adjusted Operating Profit Margin <sup>(1)</sup></b>	<b>17.9%</b>	<b>16.1%</b>
<b>Reported-Diluted EPS</b>	<b>\$0.99</b>	<b>\$0.73</b>
<b>Adjusted-Diluted EPS<sup>(1)</sup></b>	<b>\$1.01</b>	<b>\$0.74</b>

(1) “Adjusted Operating Profit”, “Adjusted Operating Profit Margin” and “Adjusted-Diluted EPS” are a Non-U.S. GAAP financial measures. See slides 13-16 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

## First-quarter 2019 to 2020

(\$ millions)



# Gross Profit Update

(\$ millions)

	Three Months Ended March 31,	
	2020	2019
<b>Proprietary Products Gross Profit</b>	<b>\$150.1</b>	<b>\$132.2</b>
<b>Proprietary Products Gross Profit Margin</b>	<b>40.2%</b>	<b>38.9%</b>
<b>Contract-Manufactured Products Gross Profit</b>	<b>\$16.9</b>	<b>\$14.5</b>
<b>Contract-Manufactured Products Gross Profit Margin</b>	<b>14.3%</b>	<b>14.0%</b>
<b>Consolidated Gross Profit</b>	<b>\$167.0</b>	<b>\$146.8</b>
<b>Consolidated Gross Profit Margin</b>	<b>34.0%</b>	<b>33.1%</b>

# Cash Flow and Balance Sheet Metrics

(\$ millions)

## Cash Flow Items

	YTD Q1 2020	YTD Q1 2019
Depreciation and Amortization	\$26.0	\$25.5
Operating Cash Flow	\$57.1	\$47.6
Capital Expenditures	\$32.1	\$28.8

## Financial Condition

	March 31, 2020	December 31, 2019
Cash and Cash Equivalents	\$335.3	\$439.1
Debt	\$256.7	\$257.3
Equity	\$1,490.2	\$1,573.2
Working Capital	\$633.1	\$717.1

# 2020 Full-Year Guidance

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

<b>Consolidated Net Sales</b>	<b>\$1.95 - \$1.97 billion</b>
<b>Adjusted-Diluted EPS</b>	<b>\$3.52 - \$3.62</b>

- (1) Please refer to “Notes to Non-U.S. GAAP Financial Measures” on slides 13-16 and the discussion under the heading “Non-U.S. GAAP Financial Measures” in today’s press release, for additional information regarding adjusted-diluted EPS.
- (2) The adjusted-diluted EPS guidance range does not include potential tax benefits from stock-based compensation beyond those incurred in the first-quarter 2020. Any additional tax benefits associated with stock-based compensation received in 2020 would provide a positive adjustment to this guidance range.

# Our Commitment and Look Forward



**SELFDOSE**<sup>®</sup>  
Patient Controlled Delivery

**SMARTDOSE**<sup>®</sup>

**West**  Contract Manufacturing

**Westar**

**NOVAPURE**

**AccelTRA**<sup>®</sup>

**大協精工**  
**DAIKYO** 

DAIKYO  
**Crystal Zenith**<sup>®</sup>  
THE CLEAR SOLUTION

# 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 13-16), “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
<b>Three months ended March 31, 2020</b>				
Reported (U.S. GAAP)	\$88.0	\$15.0	\$74.3	\$0.99
Pension settlement	-	0.3	1.1	0.01
Amortization of acquisition-related intangible assets	-	-	1.0	0.01
Adjusted (Non-U.S. GAAP)	\$88.0	\$15.3	\$76.4	\$1.01
<b>Three months ended March 31, 2019</b>				
Reported (U.S. GAAP)	\$70.7	\$16.1	\$55.4	\$0.73
Restructuring and related charges	0.6	0.2	0.4	0.01
Adjusted (Non-U.S. GAAP)	\$71.3	\$16.3	\$55.8	\$0.74

# 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 13-16), “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 March 31, 2020	Proprietary	CM	Eliminations	Total
Reported net sales (U.S. GAAP)	\$373.5	\$118.1	\$(0.1)	\$491.5
Effect of acquisitions and/or divestitures	(1.2)	-	-	(1.2)
Effect of changes in currency translation rates	8.3	1.4	-	9.7
Organic net sales (Non-U.S. GAAP) <sup>(1)</sup>	\$380.6	\$119.5	\$(0.1)	\$500.0

(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 13-16), “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

	2019 Actual	2020 Guidance	% Change
Reported-diluted EPS (U.S. GAAP)	\$3.21	\$3.47 to \$3.57	8.1% to 11.2%
Restructuring and related charges	0.04	-	-
Gain on restructuring-related sales of assets	(0.02)	-	-
Pension settlement	0.04	0.01	
Amortization of acquisition-related intangible assets	-	0.04	
Argentina devaluation	0.01	-	-
Tax recovery	(0.04)	-	-
Adjusted-diluted EPS (Non-U.S. GAAP) <sup>(1)</sup>	\$3.24	\$3.52 to \$3.62	8.6% to 11.7%

(1) See “Full-year 2020 Financial Guidance” and “Non-U.S. GAAP Financial Measures” in today’s press release for additional information regarding adjusted-diluted EPS.

In 2019, tax benefits associated with stock-based compensation increased adjusted-diluted EPS by \$0.14. 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 First-Quarter 2020, tax benefits associated with stock-based compensation increased adjusted-diluted EPS by \$0.07. Any future tax benefits associated with stock-based compensation that we receive in 2020 would provide a positive adjustment to our full-year EPS guidance.