



FEATURED OPTIONS RADAR REPORT



As Biologics, Generics Grow, Bulls See Further Upside in Pharmaceutical Services Leader

Ticker/Price: WST (\$413.27)

West Pharmaceutical Services (WST) seeing bullish accumulation recently with shares pulling back off of 52-week highs including 300 March \$430 ITM puts sold to open around \$30 and last week over 675 November 2022 \$370 ITM calls bought for \$5M. Shares are back at the low-end of monthly value and putting in a hammer reversal yesterday with room above back to \$450 and then new highs above \$475. The current range measures out to \$550. The \$32.85B company trades 45.7X earnings, 12.25X sales and 47.7X cash with a small yield and high double-digit growth. WST is a leading provider of containment and delivery systems for injectable drugs with services across the entire process from packaging to inspection and sterilization. WST has been building out their portfolio across high-value components, delivery devices and other packaging while diversifying their market reach into biologics, generics, and specialty pharma. They see long-term tailwinds from growth in the injectables market, increased regulation around combo drugs, use of biologic drug molecules, and growth of generics in emerging regions. They're coming off a strong quarter with 27.9% growth in sales. Analysts have an average target for shares of \$465 with a Street High \$515. BAML positive on 10/28 citing double-digit growth in the core business with growing C19 demand while the company is taking proactive steps to building out capacity. "WST is pulling forward expansion plans to increase capacity, primarily focusing on NovaPure. The market for premium NovaPure products now rivals that of FluroTec, and the adoption of crystal zenith (CZ) is increasing too." Keybank with an Overweight rating seeing revenue, margin, and EPS upside above consensus due to pharma pipelines converting to greater biotechnology content, COVID-19 vaccine demand and company momentum in lean manufacturing to expand margins. Short interest is 1.1%. Hedge fund ownership fell 2% last quarter.

Hawk Vision:



Hawk's Perspective: WST has been an outstanding performer since we first wrote about the name back in June 2020 and continue to see strong tailwinds for the business in 2022 as they expand capacity. The options are thin, so one to target with stock and back near the rising 200-day at \$360 would be an excellent entry

Confidence Ranking: \$\$