



6/21/2020

Company Description and Background

West Pharmaceutical is a leading global manufacturer in the design and production of technologically advanced, high-quality, integrated containment and delivery systems for injectable drugs and healthcare products. Its products include a variety of primary packaging, containment solutions, reconstitution and transfer systems, and drug delivery systems, as well as contract manufacturing, analytical lab services and integrated solutions. Its operations are organized into two reportable segments, Proprietary Products and Contract-Manufactured Products. Proprietary Products reportable segment offers proprietary packaging, containment and drug delivery products, along with analytical lab services and integrated solutions, primarily to biologic, generic and pharmaceutical drug customers. Packaging products include stoppers and seals for injectable packaging systems, which are designed to help ensure drug compatibility and stability with active drug products, while also supporting operational efficiency for customers. This product portfolio also includes syringe and cartridge components, including custom solutions for the specific needs of injectable drug applications, as well as administration systems that can enhance the safe delivery of drugs through advanced reconstitution, mixing and transfer technologies. West also provide films, coatings, washing and sterilization processes and services to enhance the quality of packaging components and mitigate the risk of contamination and compatibility issues. This segment’s product portfolio also includes drug containment solutions, including Crystal Zenith, a cyclic olefin polymer, in the form of vials, syringes and cartridges. These products can provide a high-quality solution to glass incompatibility issues and can stand up to cold storage environments, while reducing the risk of breakage that exists with glass. In addition, we offer a variety of self-injection devices, designed to address the need to provide at-home delivery of injectable therapies. These devices are patient-centric technologies that are easy-to-use and can be combined with connected health technologies that have the potential to increase adherence. West also provides customers with a range of integrated solutions, including analytical lab services, pre-approval primary packaging support and engineering development, regulatory expertise, and after-sales technical support. The Contract-Manufactured Products reportable segment serves as a fully integrated business, focused on the design, manufacture, and automated assembly of complex devices, primarily for pharmaceutical, diagnostic, and medical device customers. These products include a variety of custom contract-manufacturing and assembly solutions, which use such technologies as multi-component molding, in-mold labeling, ultrasonic welding, clean room molding and device assembly. West manufactures customer-owned components and devices used in surgical, diagnostic, ophthalmic, injectable, and other drug delivery systems, as well as consumer products.

West Pharmaceutical Services (WST)

\$216.60

Healthcare

Medical Instruments/Supplies

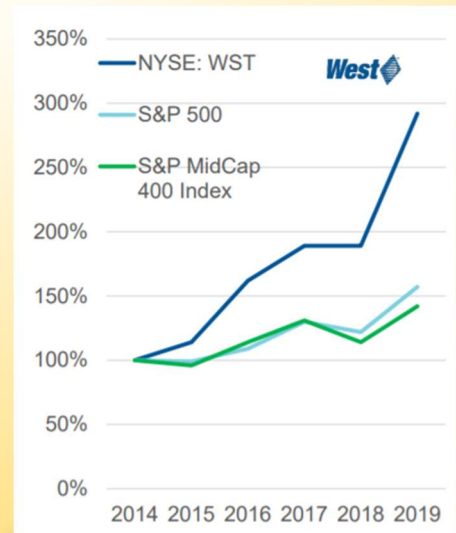
3 Year Avg. ROIC: 14%

EBITDA Margins 3 Year Avg.: 21%

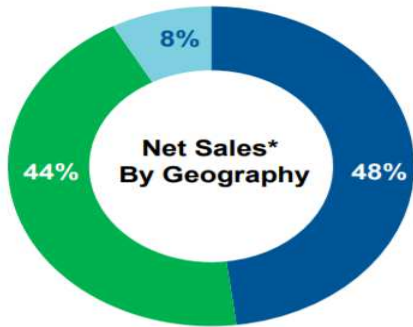
Levered FCF Margin (3 Years): 8.3%, 10.7%, 13.1%

Debt/EBITDA (3 Year Avg.): 0.60X

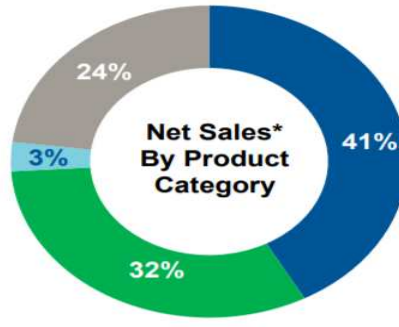
Inventory Turnover: 5.5X



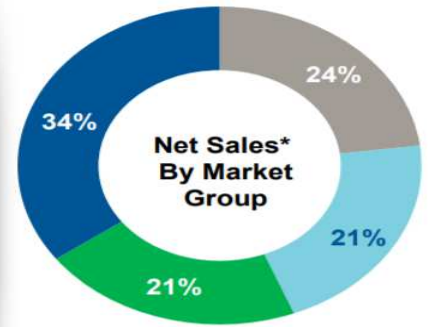
<https://investor.westpharma.com/financial-information/sec-filings>



- Americas
- Europe, Middle East, Africa
- Asia Pacific



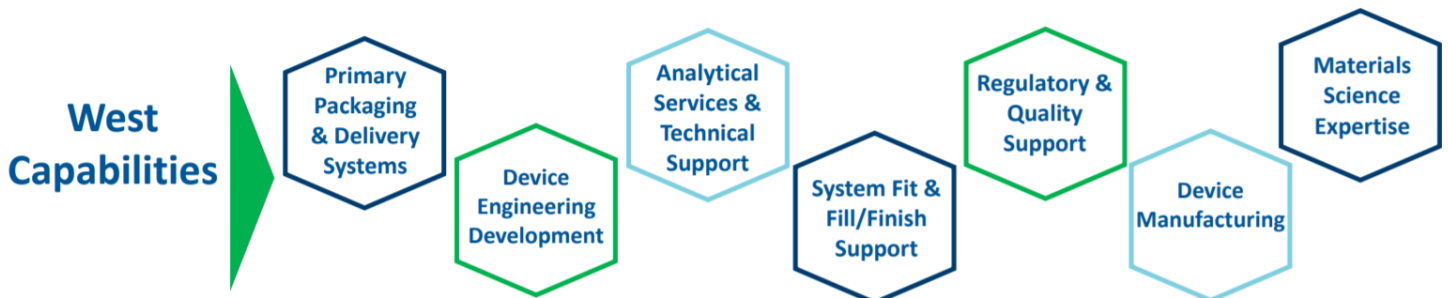
- High-Value Components
- Standard Packaging
- Delivery Devices
- Contract-Manufactured Products



- Pharma
- Generics
- Biologics
- Contract-Manufactured Products

Customers & Costs

Its customers include the leading biologic, generic, pharmaceutical, diagnostic, and additional medical device companies in the world. Its ten largest customers accounted for 44.3% of our consolidated net sales in 2019, but none of these customers individually accounted for more than 10% of consolidated net sales. WST has more than 2000 customers with the largest ~ 7% of sales.



West uses three basic raw materials in the manufacture of its products: elastomers, aluminum and plastic. It has 25 manufacturing sites and 7700 employees.

Industry Analysis and Market Opportunity

West's business depends to a substantial extent on customers' continued sales and development of products that are delivered by injection.

Positive Market Trends



Injectable Drug Market Growing



Increased Regulations for Combination Drugs



Biologic Drug Molecules Increasing



Generics Growing in Key Emerging Regions



Increased Interest in Sustainability & Governance

Competitors & Risk Factors

Key competitors include a few packaging names like Aptar (ATR), Berry (BERY), Comarand Catalent (CTLT). It has a number of private competitors like Mipharm and LGC. Large medical products companies like Danaher (DHR) and Becton Dickinson (BDX) are also seen as peers.

Risks include new drug products that move away from injectable and/or require less frequent dosing; pricing pressure from further consolidation in the Pharma/Biotech industry; FDA 510K approval process on products; rising raw material prices including energy impacts profitability;

Key Metrics and Seasonality

Business is not inherently seasonal.

Management Commentary

6/2/2020: From a market unit perspective, we continue to see very strong growth in the biologics space. And then I think all the market indicators suggest that this is -- the new drugs that were launched a couple of years ago, there are starting to build traction in the marketplace. And our customers are -- it's no longer just a launch mode, it is actually replenishment and continuously feed the supply chain. We're also seeing healthy growth in our generics space. We're excited about that because that is a continuation of our AccelTRA program in high-valued products. And I can't leave out to Contract Manufacturing. It continues to do really well, particularly in the diabetes space and also with auto-injectors. So really multiple businesses are firing quite well.

Ratios and Valuation (Current vs. Historical)

