



West Announces Second-Quarter 2024 Results

July 25, 2024

- Conference Call Scheduled for 9 a.m. EDT Today -

West Pharmaceutical Services, Inc. (NYSE: WST) today announced its financial results for the second-quarter 2024 and updated full-year 2024 financial guidance.

Second-Quarter 2024 Summary (comparisons to prior-year period)

- Net sales of \$702.1 million declined 6.9%; organic net sales declined 5.9%.
- Reported-diluted EPS of \$1.51, compared to \$2.06 in the same period last year.
- Adjusted-diluted EPS of \$1.52, compared to \$2.11 in the same period last year.
- The Company is updating full-year 2024 net sales guidance to a range of \$2.870 billion to \$2.900 billion, compared to a prior range of \$3.000 billion to \$3.025 billion.
- The Company is updating full-year 2024 adjusted-diluted EPS guidance to a range of \$6.35 to \$6.65, compared to a prior range of \$7.63 to \$7.88.

"The second quarter continued to be impacted by an elevated level of customer destocking," said Eric M. Green, President, Chief Executive Officer and Chair of the Board. "While the results were below our expectations, we were encouraged to see our second-quarter revenues increase sequentially. Our outlook anticipates that revenues in the second half of the year will be stronger than the first half. Based on our confirmed order book and ongoing customer conversations, we remain confident in a return to organic growth in the fourth quarter and as we move into 2025. We see considerable growth opportunity in the markets we serve, and our investments position us to create continued value for our customers, patients and shareholders well into the future."

Proprietary Products Segment

Net sales declined by 9.4% to \$559.7 million. Organic net sales (excluding changes in currency translation and impact of a prior year divestiture) declined by 8.4%. High-value products (components and devices) represented more than 70% of segment sales in the period led by customer demand for self-injection, Envision® components and NovaPure® products.

The Generics market unit had a double digit organic net sales decline, driven by lower volumes in FluroTec® and Westar® products. The Biologics market unit had a mid-single digit organic net sales decline, driven by lower sales of Daikyo CZ® and Westar® offset by an increase in sales of self-injection device platforms. The Pharma market unit had a low-single digit organic net sales decline, driven by a reduction in sales of Administrative Systems and Westar® products.

Contract-Manufactured Products Segment

Net sales grew by 4.9% to \$142.4 million. Organic net sales grew by 5.4% with currency translation decreasing sales growth by 50 basis points. Segment performance was led by growth in sales of components associated with injection-related devices.

Financial Highlights (first six months of 2024)

Operating cash flow was \$283.2 million, a decrease of 7.8%. Capital expenditures were \$190.8 million, an increase of 21.1% over the same period last year. Free cash flow (operating cash flow minus capital expenditures) was \$92.4 million, a decrease of 38.3%.

During the first half of 2024, the Company repurchased 1,239,015 shares for \$454.1 million at an average share price of \$366.53 under its share repurchase program.

Full-Year 2024 Financial Guidance

- The Company is updating full-year 2024 net sales guidance to a range of \$2.870 billion to \$2.900 billion, compared to a prior range of \$3.000 billion to \$3.025 billion.
 - Organic net sales are now expected decrease approximately 1% to 2%.
 - Net sales guidance includes an estimated full-year 2024 headwind of approximately \$5.0 million based on current foreign currency exchange rates, compared to prior guidance of approximately \$8.0 million.
- Full-year 2024 adjusted-diluted EPS is expected to be in a range of \$6.35 to \$6.65, compared to prior guidance range of \$7.63 to \$7.88.
 - Full-year adjusted-diluted EPS guidance range includes an estimated headwind of approximately \$0.03 based on current foreign currency exchange rates, compared to prior guidance of \$0.04.
 - The updated guidance also includes EPS of \$0.22 associated with first-half 2024 tax benefits from stock-based compensation.
 - For the second half of the year, our EPS guidance range assumes a tax rate of 22% and does not include potential tax benefits from stock-based compensation. Any tax benefits associated with stock-based compensation beyond

those recorded in the first-half 2024 would provide a positive adjustment to our full-year adjusted-diluted EPS guidance.

- Full-year 2024 capital spending is expected to be \$375 million, an increase from the previous estimate of \$350 million.

Second-Quarter 2024 Conference Call

The live audio-only webcast will be made available via the Company's Investor Relations website at www.westpharma.com.

To participate in the conference call by asking questions to Management, please register in advance by [clicking here](#). Upon registration, all telephone participants will receive the dial-in number along with a unique PIN number that will be used to access the call.

Management will refer to a slide presentation during the call, which will be made available on the day of the call. To view the presentation, select "Presentations" in the "Investors" section of the Company's website.

A replay of the conference call and webcast will be available on the Company's website for 30 days.

Forward-Looking Statements

This release contains statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements may include such words as "raising," "positioned," "updating," "expected," "assumes," "unchanged," "includes," "would," "provide" and other similar terminology. These statements reflect management's current expectations regarding future events and operating performance and speak only as of the date of this release. There is no certainty that actual results will be achieved in-line with current expectations. These forward-looking statements involve a number of risks and uncertainties. The following are some of the factors that could cause our actual results to differ materially from those expressed in or underlying our forward-looking statements: prevailing economic conditions and general uncertainties relating thereto that may be unknown and unforeseeable; customers' changing inventory requirements and manufacturing plans and customer decisions to move forward with our new products and product categories; disruptions or limitations in the Company's manufacturing capacity; average profitability, or mix, of the products we sell; dependence on third-party suppliers and partners; increased raw material, energy and labor costs; fluctuations in currency exchange; the ability to meet development milestones with key customers; and the consequences of other geopolitical events, including natural disasters, acts of war, and global health crises. This list of important factors is not all inclusive. For a description of certain additional factors that could cause the Company's future results to differ from those expressed in any such forward-looking statements, see Part I Item 1A, entitled "Risk Factors," in the Company's Annual Report on Form 10-K for the year ended December 31, 2023, and other filings with the United States Securities and Exchange Commission, including the Company's quarterly reports on Form 10-Q and current reports on Form 8-K.

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

This release contains certain non-GAAP financial measures, including organic net sales and adjusted-diluted EPS. 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 translate the current-period reported sales of subsidiaries whose functional currency is other than the U.S. Dollar at the applicable foreign currency 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 and excluding the effects of unallocated items are not in conformity with U.S. generally accepted accounting principles ("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 measures to the comparable U.S. GAAP financial measures is included in the accompanying tables.

WEST PHARMACEUTICAL SERVICES, INC.
CONSOLIDATED STATEMENTS OF INCOME
 (UNAUDITED)
(in millions, except per share data)

	Three Months Ended				Six Months Ended			
	June 30,		June 30,		June 30,		June 30,	
	2024	2023	2024	2023	2024	2023	2024	2023
Net sales	\$ 702.1	100 %	\$ 753.8	100 %	\$ 1,397.5	100 %	\$ 1,470.4	100 %
Cost of goods and services sold	472.1	67	462.4	61	937.3	67	907.7	62
Gross profit	230.0	33	291.4	39	460.2	33	562.7	38

Research and development	17.5	2	16.5	2	35.1	3	33.6	2
Selling, general and administrative expenses	83.0	12	88.4	12	169.7	12	174.4	12
Other expense (income)	3.3	1	4.0	1	6.4	—	16.9	1
Operating profit	126.2	18	182.5	24	249.0	18	337.8	23
Interest (income) expense, net	(2.5)	—	(2.3)	—	(7.1)	—	(4.9)	—
Other nonoperating (income) expense	—	—	(0.1)	—	—	—	(0.1)	—
Income before income taxes and equity in net income of affiliated companies	128.7	18	184.9	24	256.1	18	342.8	23
Income tax expense	21.9	3	34.8	4	38.3	3	58.4	4
Equity in net income of affiliated companies	(4.5)	(1)	(5.0)	(1)	(8.8)	(1)	(10.7)	(1)
Net income	\$ 111.3	16 %	\$ 155.1	21 %	\$ 226.6	16 %	\$ 295.1	20 %

Net income per share:

Basic	\$ 1.52	\$ 2.08	\$ 3.09	\$ 3.96
Diluted	\$ 1.51	\$ 2.06	\$ 3.06	\$ 3.91

Average common shares outstanding	73.0	74.3	73.3	74.4
Average shares assuming dilution	73.7	75.4	74.0	75.5

**WEST PHARMACEUTICAL SERVICES
REPORTING SEGMENT INFORMATION**

(UNAUDITED)
(in millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net Sales:				
Proprietary Products	\$ 559.7	\$ 618.0	\$ 1,119.2	\$ 1,201.1
Contract-Manufactured Products	142.4	135.8	278.3	269.3
Eliminations	—	—	—	—
Consolidated Total	\$ 702.1	\$ 753.8	\$ 1,397.5	\$ 1,470.4
Gross Profit:				
Proprietary Products	\$ 207.0	\$ 271.4	\$ 414.1	\$ 519.2
Contract-Manufactured Products	23.0	20.9	46.1	44.4
Unallocated items	—	(0.9)	—	(0.9)
Gross Profit	\$ 230.0	\$ 291.4	\$ 460.2	\$ 562.7
<i>Gross Profit Margin</i>	32.8 %	38.7 %	32.9 %	38.3 %
Operating Profit (Loss):				
Proprietary Products	\$ 131.0	\$ 194.2	\$ 257.3	\$ 364.9
Contract-Manufactured Products	17.2	14.9	34.3	32.3
Stock-based compensation expense	(4.3)	(7.5)	(9.3)	(16.0)
General corporate costs	(17.7)	(19.1)	(33.3)	(43.4)
Reported Operating Profit	\$ 126.2	\$ 182.5	\$ 249.0	\$ 337.8
<i>Reported Operating Profit Margin</i>	18.0 %	24.2 %	17.8 %	23.0 %
Unallocated items	0.2	2.5	0.4	12.1
Adjusted Operating Profit	\$ 126.4	\$ 185.0	\$ 249.4	\$ 349.9
<i>Adjusted Operating Profit Margin</i>	18.0 %	24.5 %	17.8 %	23.8 %

WEST PHARMACEUTICAL SERVICES
RECONCILIATION OF NON-U.S. GAAP MEASURES (UNAUDITED)
Please refer to "Non-U.S. GAAP Financial Measures" for more information
(in millions, except per share data)

Reconciliation of Reported and Adjusted Operating Profit, Net Income and Diluted EPS

	Operating profit	Income tax expense	Net income	Diluted EPS
Three months ended June 30, 2024				
Reported (U.S. GAAP)	\$126.2	\$21.9	\$111.3	\$1.51
Unallocated items:				
Amortization of acquisition-related intangible assets ⁽¹⁾	0.2	—	0.7	0.01
Adjusted (Non-U.S. GAAP)	<u>\$126.4</u>	<u>\$21.9</u>	<u>\$112.0</u>	<u>\$1.52</u>

	Operating profit	Income tax expense	Net income	Diluted EPS
Six months ended June 30, 2024				
Reported (U.S. GAAP)	\$249.0	\$38.3	\$226.6	\$3.06
Unallocated items:				
Amortization of acquisition-related intangible assets ⁽¹⁾	0.4	—	1.4	0.02
Adjusted (Non-U.S. GAAP)	<u>\$249.4</u>	<u>\$38.3</u>	<u>\$228.0</u>	<u>\$3.08</u>

	Operating profit	Income tax expense	Net income	Diluted EPS
Three months ended June 30, 2023				
Reported (U.S. GAAP)	\$182.5	\$34.8	\$155.1	\$2.06
Unallocated items:				
Amortization of acquisition-related intangible assets ⁽¹⁾	0.2	—	0.7	0.01
Loss on disposal of plant ⁽²⁾	2.2	(0.7)	2.9	0.04
Restructuring and other charges ⁽³⁾	0.1	(0.3)	0.4	—
Adjusted (Non-U.S. GAAP)	<u>\$185.0</u>	<u>\$33.8</u>	<u>\$159.1</u>	<u>\$2.11</u>

	Operating profit	Income tax expense	Net income	Diluted EPS
Six months ended June 30, 2023				
Reported (U.S. GAAP)	\$337.8	\$58.4	\$295.1	\$3.91
Unallocated items:				
Amortization of acquisition-related intangible assets ⁽¹⁾	0.4	—	1.4	0.02
Loss on disposal of plant ⁽²⁾	11.6	(0.7)	12.3	0.16
Restructuring and other charges ⁽³⁾	0.1	(0.3)	0.4	—
Adjusted (Non-U.S. GAAP)	<u>\$349.9</u>	<u>\$57.4</u>	<u>\$309.2</u>	<u>\$4.09</u>

(1) During the three and six months ended June 30, 2024 and 2023, the Company recorded \$0.2 million and \$0.4 million, respectively, of amortization expense within operating profit associated with an intangible asset acquired during the second quarter of 2020. During the three and six months ended June 30, 2024 and 2023, the Company recorded \$0.5 million and \$1.0 million, respectively, of amortization expense in association with an acquisition of increased ownership interest in Daikyo..

(2) During the three and six months ended June 30, 2023, the Company recorded expense of \$2.2 million and \$11.6 million, respectively, within other expense (income), as a result of the sale of one of the Company's manufacturing facilities within the Proprietary Products segment. The transaction closed during the second quarter of 2023.

- (3) Restructuring and other charges of \$0.1 million for both the three and six months ended June 30, 2023 represents the net impact of an inventory write down of \$0.9 million within cost of goods and services sold and a \$0.8 million benefit within other expense (income) for revised severance estimates in connection with its 2022 restructuring plan.

WEST PHARMACEUTICAL SERVICES
RECONCILIATION OF NON-U.S. GAAP FINANCIAL MEASURES (UNAUDITED)

*Please refer to "Non-U.S. GAAP Financial Measures" for more information
(in millions, except per share data)*

Reconciliation of Net Sales to Organic Net Sales (4 and 5)

Three months ended June 30, 2024	Proprietary	CM	Eliminations	Total
Reported net sales (U.S. GAAP)	\$559.7	\$142.4	\$—	\$702.1
Effect of changes in currency translation rates	5.4	0.7	—	6.1
Organic net sales (Non-U.S. GAAP) ⁽⁴⁾	\$565.1	\$143.1	\$—	\$708.2

Six months ended June 30, 2024	Proprietary	CM	Eliminations	Total
Reported net sales (U.S. GAAP)	\$1,119.2	\$278.3	\$—	\$1,397.5
Effect of changes in currency translation rates	2.6	0.1	—	2.7
Organic net sales (Non-U.S. GAAP) ⁽⁴⁾	\$1,121.8	\$278.4	\$—	\$1,400.2

Three months ended June 30, 2023	Proprietary	CM	Eliminations	Total
Reported net sales (U.S. GAAP)	\$618.0	\$135.8	\$—	\$753.8
Effect of divestitures and/or acquisitions	(1.1)	—	—	(1.1)
Net sales excluding divestiture (Non-U.S. GAAP) ⁽⁵⁾	\$616.9	\$135.8	\$—	\$752.7

Six months ended June 30, 2023	Proprietary	CM	Eliminations	Total
Reported net sales (U.S. GAAP)	\$1,201.1	\$269.3	\$—	\$1,470.4
Effect of divestitures and/or acquisitions	(4.3)	—	—	(4.3)
Net sales excluding divestiture (Non-U.S. GAAP) ⁽⁵⁾	\$1,196.8	\$269.3	\$—	\$1,466.1

- (4) 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 currency exchange rates in effect during the comparable prior-year period.

- (5) Net sales excluding divestiture represents the 2023 comparative sales figure used in our organic sales growth calculation to eliminate the impact of our 2023 divestiture.

WEST PHARMACEUTICAL SERVICES
RECONCILIATION OF NON-U.S. GAAP FINANCIAL MEASURES (UNAUDITED)

*Please refer to "Non-U.S. GAAP Financial Measures" for more information
(in millions, except per share data)*

Reconciliation of Reported-Diluted EPS Guidance to Adjusted-Diluted EPS Guidance

	2023 Actual	2024 Guidance	% Change
Reported-diluted EPS (U.S. GAAP)	\$7.88	\$6.31 to \$6.61	(19.9%) to (16.1%)
Loss on disposal of plant	0.16		
Cost investment activity	0.06		
Restructuring and other charges	(0.02)		
Amortization of acquisition-related intangible assets	0.04	0.04	
Legal settlement	(0.04)		

Adjusted-diluted EPS (Non-U.S. GAAP) ⁽⁶⁾	\$8.08	\$6.35 to \$6.65	(21.4%) to (17.7%)
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Notes:

See "Full-year 2024 Financial Guidance" and "Non-U.S. GAAP Financial Measures" in today's press release for additional information regarding adjusted-diluted EPS.

- (6) We have opted not to forecast 2024 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-half of 2024, tax benefits associated with stock-based compensation increased adjusted-diluted EPS by \$0.22. Any future tax benefits associated with stock-based compensation that we receive in 2024 would provide a positive adjustment to our full-year EPS guidance. In full-year 2023, tax benefits associated with stock-based compensation increased adjusted-diluted EPS by \$0.42.

WEST PHARMACEUTICAL SERVICES

CASH FLOW ITEMS

(UNAUDITED)

(in millions)

	Six Months Ended June 30,	
	2024	2023
Depreciation and amortization	\$74.5	\$65.7
Operating cash flow	\$283.2	\$307.3
Capital expenditures	\$190.8	\$157.5
Free cash flow	\$92.4	\$149.8

WEST PHARMACEUTICAL SERVICES

FINANCIAL CONDITION

(UNAUDITED)

(in millions)

	As of	As of
	June 30, 2024	December 31, 2023
Cash and cash equivalents	\$446.2	\$853.9
Accounts receivable, net	\$479.4	\$512.0
Inventories	\$419.2	\$434.7
Accounts payable	\$211.7	\$242.4
Debt	\$205.8	\$206.8
Equity	\$2,576.8	\$2,881.0
Working capital	\$849.3	\$1,264.6

Trademark Notices

Trademarks and registered trademarks are the property of West Pharmaceutical Services, Inc., in the United States and other jurisdictions, unless noted otherwise.

Daikyo Crystal Zenith® and Daikyo CZ® are registered trademarks of Daikyo Seiko, Ltd. Daikyo Crystal Zenith technologies are licensed from Daikyo Seiko, Ltd.

SOURCE West Pharmaceutical Services, Inc.

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