



West Announces First-Quarter 2021 Results

April 29, 2021

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

West Pharmaceutical Services, Inc. (NYSE: WST) today announced its financial results for the first-quarter 2021 and updated full-year 2021 financial guidance.

First-Quarter 2021 Summary (comparisons to prior-year period)

- Net sales of \$670.7 million grew 36.5%; organic sales growth was 31.1%.
- Reported-diluted EPS of \$1.99 increased 101%.
- Adjusted-diluted EPS of \$2.05 increased 103%.
- The Company is raising full-year 2021 net sales guidance to a new range of \$2.630 billion to \$2.655 billion, compared to a prior range of \$2.500 billion to \$2.525 billion. The Company is raising full-year 2021 adjusted-diluted EPS guidance to a new range of \$6.95 to \$7.10, compared to a prior range of \$6.00 to \$6.15.

"Adjusted-diluted EPS" and "organic sales growth" are Non-U.S. GAAP measurements. See discussion under the heading "Non-U.S. GAAP Financial Measures" in this release.

"We delivered another solid performance in the first quarter with strong organic sales growth from both our base business as well as increased demand for our products associated with COVID-19 vaccines," said Eric M. Green, President and Chief Executive Officer. "I am proud of the relentless focus and consistent execution of our global team members to deliver critical components and solutions during these times. With a strong start to the year, we are raising our full-year financial guidance. West will continue to play an integral role with our customers as they develop and bring new medicines to the market for a brighter future."

Proprietary Products Segment

Net sales grew by 45.6% to \$543.7 million. Organic sales growth was 39.6% with currency translation increasing sales growth by 600 basis points. High-value products (components and devices) represented more than 70% of segment sales and generated double-digit organic sales growth, led by customer demand for FluroTec[®], Westar[®], Daikyo[®] and NovaPure[®] components as well as for devices such as Daikyo Crystal Zenith[®] syringes and cartridges.

All three market units had double-digit organic sales growth, led by strong performance in the Biologics market unit.

Contract-Manufactured Products Segment

Net sales grew by 7.6% to \$127.1 million. Organic sales growth was 4.0% with currency translation increasing sales growth by 360 basis points. Segment performance was led by sales of components for drug-injection delivery devices as well as diagnostic devices.

Financial Highlights

Operating cash flow was \$88.7 million, an increase of 55.3%. Capital expenditures in the quarter were \$54.7 million. Free cash flow (operating cash flow minus capital expenditures) was \$34.0 million, an increase of 36%.

During the quarter, the Company repurchased 479,000 shares for \$137.1 million at an average share price of \$286.23 under its share repurchase program.

Our capital and financial resources, including overall liquidity, remain strong. We believe that cash on hand and cash generated from operations, together with availability under our Credit Facility, will be adequate to address our foreseeable liquidity needs based on our current expectations of our business operations, capital expenditures and scheduled payments of debt obligations.

Full-Year 2021 Financial Guidance

- Full-year 2021 net sales are expected to be in a range of \$2.630 billion to \$2.655 billion, compared to a prior guidance range of \$2.500 billion to \$2.525 billion.
 - Organic sales growth is expected to be in a range of 19% to 20%, compared to a prior range of 13% to 14%.
 - Net sales guidance includes an estimated full-year 2021 benefit of \$75 million based on current foreign exchange rates.
- Full-year 2021 adjusted-diluted EPS is expected to be in a range of \$6.95 to \$7.10, compared to a prior range of \$6.00 to \$6.15.
 - Full-year adjusted-diluted EPS guidance range includes an estimated benefit of approximately \$0.23 based on current foreign currency exchange rates.
 - The revised guidance includes a \$0.15 EPS positive impact from first-quarter tax benefits from stock-based

compensation.

- o For the remainder of the year, our EPS guidance range assumes a tax rate of 23% 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-quarter 2021 would provide a positive adjustment to our full-year EPS guidance.

First-Quarter 2021 Conference Call

The Company will host a conference call to discuss the results and business expectations at 9:00 a.m. Eastern Time today. To participate on the call please dial 877-930-8295 (U.S.) or 253-336-8738 (International). The conference ID is 4285757.

A live broadcast of the conference call will be available at the Company's website, www.westpharma.com, in the "Investors" section. 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.

An online archive of the broadcast will be available at the website three hours after the live call and will be available through Thursday, May 6, 2021, by dialing 855-859-2056 (U.S.) or 404-537-3406 (International) and entering conference ID 4285757.

Forward-Looking Statements

Certain forward-looking statements appear in this release and include such words as "raising," "believe," "continue," "remain," "foreseeable," "expected," "to be," "includes," "estimated," "assumes," "potential," "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: the duration and severity of the global COVID-19 pandemic, including 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, including any re-prioritization of product needs due to COVID-19; other potential impacts from COVID-19, including interruptions or weaknesses in our supply chain, illness in our workforce and access to transport for our products; average profitability, or mix, of the products we sell; dependence on third-party suppliers and partners; increased raw material costs; fluctuations in currency exchange; and the ability to meet development milestones with key customers. 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, 2020.

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

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 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			
	March 31,			
	2021		2020	
Net sales	\$670.7	100%	491.5	100%
Cost of goods and services sold	398.8	59	324.5	66
Gross profit	271.9	41	167.0	34
Research and development	12.2	2	10.7	2
Selling, general and administrative expenses	80.2	12	71.8	14
Other expense (income)	3.9	1	(3.5)	-
Operating profit	175.6	26	88.0	18

Interest expense, net	1.8	-	1.2	-
Other nonoperating (income) expense	(1.1)	-	0.3	-
Income before income taxes	174.9	26	86.5	18
Income tax expense	28.7	4	15.0	3
Equity in net income of affiliated companies	(5.0)	(1)	(2.8)	-
Net income	<u>\$151.2</u>	<u>23%</u>	<u>\$74.3</u>	<u>15%</u>

Net income per share:

Basic	\$2.04	\$1.01
Diluted	\$1.99	\$0.99

Average common shares outstanding 73.9 73.9

Average shares assuming dilution 75.8 75.5

WEST PHARMACEUTICAL SERVICES REPORTING SEGMENT INFORMATION

(UNAUDITED)

(in millions)

Three Months Ended

Net Sales:	March 31,	
	2021	2020
Proprietary Products	\$543.7	\$373.5
Contract-Manufactured Products	127.1	118.1
Eliminations	(0.1)	(0.1)
Consolidated Total	<u>\$670.7</u>	<u>\$491.5</u>

Gross Profit:

Proprietary Products	\$251.9	\$150.1
Contract-Manufactured Products	20.0	16.9
Gross Profit	<u>\$271.9</u>	<u>\$167.0</u>
<i>Gross Profit Margin</i>	40.5%	34.0%

Operating Profit (Loss):

Proprietary Products	\$182.6	\$93.2
Contract-Manufactured Products	16.4	12.8
Stock-based compensation expense	(5.9)	(5.4)
General corporate costs	(13.9)	(12.6)
Adjusted Operating Profit	<u>\$179.2</u>	<u>\$88.0</u>
<i>Adjusted Operating Profit Margin</i>	26.7%	17.9%
Other unallocated items	(3.6)	-
Reported Operating Profit	<u>\$175.6</u>	<u>\$88.0</u>
<i>Reported Operating Profit Margin</i>	26.2%	17.9%

WEST PHARMACEUTICAL SERVICES RECONCILIATION OF NON-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

	Income			
	Operating profit	tax expense	Net income	Diluted EPS
Three months ended March 31, 2021				
Reported (U.S. GAAP)	\$175.6	\$28.7	\$151.2	\$1.99
Unallocated items:				
Restructuring and related charges ⁽¹⁾	1.2	0.2	1.0	0.01
Pension Settlement ⁽²⁾	-	0.2	0.5	0.01
Amortization of Acquisition-related Intangible Assets ⁽³⁾	0.2	-	0.7	0.01
Cost investment impairment	2.2	-	2.2	0.03
Adjusted (Non-U.S. GAAP)	\$179.2	\$29.1	\$155.6	\$2.05

	Income			
	Operating profit	tax expense	Net income	Diluted EPS
Three months ended March 31, 2020				
Reported (U.S. GAAP)	\$88.0	\$15.0	\$74.3	\$0.99
Pension Settlement ⁽²⁾	-	0.3	1.1	0.01
Amortization of Acquisition-related Intangible Assets ⁽³⁾	-	-	1.0	0.01
Adjusted (Non-U.S. GAAP)	\$88.0	\$15.3	\$76.4	\$1.01

- (1) During the three months ended March 31, 2021, the Company recorded \$1.2 million in restructuring and related charges in connection with its 2020 plan to optimize certain organizational structures within the Company.
- (2) During the three months ended March 31, 2021 and March 31, 2020, the Company recorded a pension settlement charge of \$0.6 million and \$1.4 million, respectively, within other nonoperating (income) expense, as it determined that normal-course lump-sum payments for our U.S. qualified defined benefit pension plan exceeded the threshold for settlement accounting.
- (3) During the three months ended March 31, 2021, the Company recorded \$0.2 million of amortization expense within operating profit associated with an acquisition of an intangible asset during the second quarter of 2020. During the three months ended March 31, 2021 and 2020 the Company recorded \$0.5 million and \$1.0 million of amortization expense, respectively, in association with an acquisition of increased ownership interest in Dai-ichi Sankyo.

WEST PHARMACEUTICAL SERVICES

RECONCILIATION OF NON-GAAP 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⁾

	Proprietary	CM	Eliminations	Total
Three months ended March 31, 2021				
Reported net sales (U.S. GAAP)	\$543.7	\$127.1	\$(0.1)	\$670.7
Effect of changes in currency translation rates	22.2	4.3	-	26.5
Organic net sales (Non-U.S. GAAP) ⁽⁴⁾	\$565.9	\$131.4	\$(0.1)	\$697.2

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

WEST PHARMACEUTICAL SERVICES

RECONCILIATION OF NON-GAAP 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

	2020 Actual	2021 Guidance	% Change
Reported-diluted EPS (U.S. GAAP)	\$4.57	\$6.86 to \$7.01	50.1% to 53.4%
Restructuring and related charges	0.07	0.01	-
Pension settlement	0.04	0.01	-
Amortization of acquisition-related intangible assets	0.05	0.04	-
Cost investment impairment	0.03	0.03	-
Adjusted-diluted EPS (Non-U.S. GAAP) ⁽⁵⁾	\$4.76	\$6.95 to \$7.10	46.0% to 49.2%

Notes:

See "Full-year 2021 Financial Guidance" and "Non-U.S. GAAP Financial Measures" in today's press release for additional information regarding adjusted-diluted EPS.

- (5) We have opted not to forecast 2021 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 2021, tax benefits associated with stock-based compensation increased adjusted-diluted EPS by \$0.15. Any future tax benefits associated with stock-based compensation that we receive in 2021 would provide a positive adjustment to our full-year EPS guidance. In 2020, tax benefits associated with stock-based compensation increased adjusted-diluted EPS by \$0.27.

WEST PHARMACEUTICAL SERVICES
CASH FLOW ITEMS
(UNAUDITED)
(in millions)

Three Months Ended March 31,

	2021	2020
Depreciation and amortization	\$29.1	\$26.0
Operating cash flow	\$88.7	\$57.1
Capital expenditures	\$54.7	\$32.1

WEST PHARMACEUTICAL SERVICES
FINANCIAL CONDITION
(UNAUDITED)
(in millions)

	As of March 31, 2021	As of December 31, 2020
Cash and cash equivalents	\$483.7	\$615.5
Accounts receivable, net	\$465.7	\$385.3
Inventories	\$310.2	\$321.3
Accounts payable	\$204.3	\$213.1
Debt	\$254.6	\$255.2
Equity	\$1,829.0	\$1,854.5
Working capital	\$844.2	\$870.3

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

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