

WEST PHARMACEUTICAL SERVICES INC
Form 10-Q
November 04, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the quarterly period ended September 30, 2013

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the transition period from _____ to _____

Commission File Number 1-8036
WEST PHARMACEUTICAL SERVICES, INC.
(Exact name of registrant as specified in its charter)

Pennsylvania
(State or other jurisdiction of
incorporation or organization)

23-1210010
(I.R.S. Employer Identification Number)

530 Herman O. West Drive, Exton, PA
(Address of principal executive offices)

19341-0645
(Zip Code)

Registrant's telephone number, including area code: 610-594-2900

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes No

As of October 31, 2013, there were 69,835,454 shares of the Registrant's common stock outstanding.

Table of Contents

TABLE OF CONTENTS

	Page
<u>PART I. FINANCIAL INFORMATION</u>	
<u>ITEM 1.</u>	FINANCIAL STATEMENTS (UNAUDITED)
	<u>Condensed Consolidated Statements of Income for the Three and Nine Months ended September 30, 2013 and 2012</u> 3
	<u>Condensed Consolidated Statements of Comprehensive Income for the Three and Nine Months ended September 30, 2013 and 2012</u> 4
	<u>Condensed Consolidated Balance Sheets at September 30, 2013 and December 31, 2012</u> 5
	<u>Condensed Consolidated Statement of Equity for the Nine Months ended September 30, 2013</u> 6
	<u>Condensed Consolidated Statements of Cash Flows for the Nine Months ended September 30, 2013 and 2012</u> 7
	<u>Notes to Condensed Consolidated Financial Statements</u> 8
<u>ITEM 2.</u>	MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS 22
<u>ITEM 3.</u>	QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK 35
<u>ITEM 4.</u>	CONTROLS AND PROCEDURES 35
<u>PART II. OTHER INFORMATION</u>	
<u>ITEM 1.</u>	LEGAL PROCEEDINGS 36
<u>ITEM 1A.</u>	RISK FACTORS 36
<u>ITEM 2.</u>	UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS 36
<u>ITEM 6.</u>	EXHIBITS 37
<u>SIGNATURE</u>	38
<u>EXHIBIT INDEX</u>	F-1

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

West Pharmaceutical Services, Inc. and Subsidiaries

(In millions, except per share data)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2013	2012	2013	2012
Net sales	\$341.8	\$303.8	\$1,025.7	\$944.9
Cost of goods and services sold	236.3	213.4	697.6	654.7
Gross profit	105.5	90.4	328.1	290.2
Research and development	9.6	8.2	28.2	24.6
Selling, general and administrative expenses	56.1	53.7	174.9	159.5
Restructuring and other items (Note 2)	0.1	2.2	(0.5) 2.5
Operating profit	39.7	26.3	125.5	103.6
Loss on debt extinguishment	—	—	0.2	11.6
Interest expense	4.4	4.4	13.1	13.2
Interest income	0.4	0.5	1.4	1.5
Income before income taxes	35.7	22.4	113.6	80.3
Income tax expense	10.6	9.0	29.5	25.5
Equity in net income of affiliated companies	1.7	1.4	4.6	4.8
Net income	\$26.8	\$14.8	\$88.7	\$59.6
Net income per share:				
Basic	\$0.38	\$0.22	\$1.28	\$0.88
Diluted	\$0.37	\$0.21	\$1.25	\$0.85
Weighted average shares outstanding:				
Basic	69.8	68.3	69.4	68.0
Diluted	71.4	69.4	70.9	72.3
Dividends declared per share	\$0.10	\$—	\$0.29	\$0.18

See accompanying notes to condensed consolidated financial statements.

Table of Contents

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

West Pharmaceutical Services, Inc. and Subsidiaries

(In millions)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2013	2012	2013	2012
Net income	\$26.8	\$14.8	\$88.7	\$59.6
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	14.5	16.8	(4.6) (0.5
Defined benefit pension and other postretirement plan adjustments, net of tax of \$4.1, \$0.5, \$5.8 and \$1.9, respectively	6.4	0.5	9.6	2.8
Net gains (losses) on derivatives, net of tax of \$0.8, \$(0.1), \$0.9 and \$(1.7), respectively	1.0	(0.3) 1.4	