

WEST PHARMACEUTICAL SERVICES INC
Form 10-Q
May 06, 2016

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 March 31, 2016

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 23-1210010
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification Number)

530 Herman O. West Drive, Exton, PA 19341-0645
(Address of principal executive offices) (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 March 31, 2016, there were 73,077,552 shares of the Registrant's common stock outstanding.

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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 March 31,	
	2016	2015
Net sales	\$362.1	\$335.9
Cost of goods and services sold	238.8	226.2
Gross profit	123.3	109.7
Research and development	9.4	7.5
Selling, general and administrative expenses	58.1	55.2
Other expense (income) (Note 11)	25.8	(0.8)
Operating profit	30.0	47.8
Interest expense	2.5	4.1
Interest income	0.3	0.4
Income before income taxes	27.8	44.1
Income tax expense	6.9	12.5
Equity in net income of affiliated companies	1.2	1.3
Net income	\$22.1	\$32.9
Net income per share:		
Basic	\$0.31	\$0.46
Diluted	\$0.30	\$0.45
Weighted average shares outstanding:		
Basic	72.5	71.7
Diluted	74.1	73.3
Dividends declared per share	\$0.12	\$0.11

See accompanying notes to condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

West Pharmaceutical Services, Inc. and Subsidiaries

(In millions)

	Three Months Ended March 31,	
	2016	2015
Net income	\$22.1	\$32.9
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments	14.9	(56.3)
Defined benefit pension and other postretirement plan adjustments, net of tax of \$0.2 and \$0.8	0.4	1.8
Net (losses) gains on derivatives, net of tax of \$(0.2) and \$1.2	(0.7)	3.4
Other comprehensive income (loss), net of tax	14.6	(51.1)
Comprehensive income (loss)	\$36.7	\$(18.2)

See accompanying notes to condensed consolidated financial statements.

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CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

West Pharmaceutical Services, Inc. and Subsidiaries

(In millions)

	March 31,	December 31,
	2016	2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 178.1	\$ 274.6
Accounts receivable, net	209.6	181.4
Inventories	194.1	181.1
Other current assets	48.9	36.6
Total current assets	630.7	673.7
Property, plant and equipment	1,482.7	1,440.3
Less: accumulated depreciation and amortization	750.2	719.3
Property, plant and equipment, net	732.5	721.0
Investments in affiliated companies	61.6	61.3
Goodwill	105.7	104.6
Deferred income taxes	87.9	70.5
Intangible assets, net	25.8	37.6
Other noncurrent assets	24.0	26.4
Total Assets	\$ 1,668.2	\$ 1,695.1
LIABILITIES AND EQUITY		
Current liabilities:		
Notes payable and other current debt	\$ 2.5	\$ 69.3
Accounts payable	97.5	119.8
Pension and other postretirement benefits	5.7	5.6
Accrued salaries, wages and benefits	43.1	53.0
Income taxes payable	17.9	12.8
Other current liabilities	74.4	53.8
Total current liabilities	241.1	314.3
Long-term debt	229.5	228.9
Deferred income taxes	13.5	12.4
Pension and other postretirement benefits	60.5	62.0