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BASIC REPORT – INITIATION OF COVERAGE

OCTOBER 25, 2004

WEST PHARMACEUTICAL SERVICES, INC. (WST-NYSE)

THEME – CRITICAL NICHE SUPPLIER

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RATING – MARKET PERFORM

		FINANCIAL METRICS		EARNINGS PER SHARE			
CURRENT PRICE	\$21.82	CASH (\$MM)	\$53	FY (DEC)	2004E	2005E	2006E
52 WEEK RANGE	\$15.70- \$22.40	TOTAL DEBT (\$MM)	\$158	Q1 MAR	\$0.31A*	\$0.35	
SHARES OUT FD (MM)	31.3	NET DEBT/CAP	36%	Q2 JUN	\$0.33A*	\$0.32	
FLOAT (MM)	29.8	RETURN ON EQUITY	12%	Q3 SEPT	\$0.21A*	\$0.40	
AVERAGE DAILY VOL.	68K	EST. 3-5 YR REV GROWTH	7-10%	Q4 DEC	\$0.20E	\$0.47	
MARKET CAP (\$MM)	\$688	EST. 3-5 YR EPS GROWTH	15-20%	YEAR	\$1.05E*	\$1.40	\$1.70
ENTERPRISE VALUE(\$MM)	\$792	DIVIDEND YIELD	2%	P/E	20.9X	15.6X	12.9X
MGMT/DIRECTOR OWNERSHIP (INCL.OPTIONS)	3.2%	BOOK VALUE PER SHARE	\$8.75	EV/EBITDA	9.3X	7.2X	6.4X

**proforma, excluding non-recurring and assuming sale of Drug Delivery in 2005*

Summary and Investment Conclusion

We are initiating coverage of West Pharmaceutical Services, Inc. (WST:NYSE) with a Market Perform rating. Our 12-18 month price target is \$28, offering investors potential appreciation of 27%.

West appears to be an attractive niche way for small cap managers to invest in the drug and biotechnology industry growth likely over the next decade. The company is the world's leading manufacturer of

components for injectable drug delivery, including stoppers and seals for vials, and closures and disposable components used in syringe, IV and blood collection systems. Every major multi-national pharma, biotechnology, generic and medical device manufacturer is a customer of the company, and West commands market shares in the 60%-90% range. Every day, over 74 million West products are used globally. There are significant regulatory and capital barriers to new entrants, as well as barriers to exit on existing programs. By focusing on technologically advanced products and value-added services, the company is increasing the percentage of packaging

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spend from its risk averse clients, while expanding its competitive advantage. Products sold to biotechnology companies are an increasing percentage of revenues, accelerating top line growth while simultaneously expanding margins. Growth in pre-filled syringe systems is another positive industry trend helping West.

Two factors that have negatively impacted reported results are likely to change. First, the company had an explosion in January 2003 at one of its key manufacturing facilities (Kinston, North Carolina). This distorted results as the company incurred significant incremental operating costs (\$12-\$14.5 million in 2004, or \$0.26-\$0.31 per share) to maintain deliveries. There were some one-time legal costs as well. This was offset by the receipt of a large insurance payment in 2003. This facility has been rebuilt and after undergoing the required validation testing by regulatory agencies, is expected to return to historic operational performance early in 2005. Second, the company announced at the end of the June quarter it is exploring strategic alternatives for its Drug Delivery Segment. Our view is that an eventual sale will simplify the corporate structure, while improving the balance sheet and operating income. This process is expected to be concluded over the next few months and should enable management to better focus on its excellent core business. The company will incur almost \$18 million in operating losses in 2004 from this segment.

Financials are reasonably good. The Company has invested \$150 million in growth capital over the last 4 years expanding and improving facilities, as well as rebuilding Kinston. Its debt to total capital is 36% and capital spending needs should be significantly lower going forward as it now has ample manufacturing capacity, leading to much higher FCF which can be used for potential acquisitions, share repurchases, or debt reduction. 2005 FCF per share should more than double from 2004 levels, and the FCF yield on 2005 estimates is in excess of 6%. The sale of Drug Delivery could also have a positive impact on the balance sheet over the next few months. In its core business, we believe that 20% or better EBIT margins in the Pharmaceutical Systems Division are achievable over the next 24 months.

Over the last two years since taking over the helm of the company, Don Morel, Chairman, President and CEO has shown a businessman's approach to creating shareholder value. We can cite specific actions taken (selling contract manufacturing, exploring alternatives for drug delivery) that are focusing the company on its core strengths and better positioning the company for faster sustainable earnings growth. Management ownership of shares is less than we like to see (3% for all directors and executive officers including options) but bonuses are driven by earnings performance and cash flow, and 25% of bonuses are in restricted shares.

Valuation on shares is complicated by the uncertainty of how Drug Delivery will be monetized (sale or JV) and potential proceeds. We assume that on a "worst case" basis, the company can sell this unit for at least a modest percentage of what it has invested in R&D and acquisition costs over the last few years (\$45 million and \$40 million respectively). 25% of this total spend would equate to \$20 million of proceeds. Given the market potential the products are targeting, a much higher sales price is possible. In any case, assuming some transaction that exits this segment, there should be a very material swing in earnings in 2005 (\$0.20-\$0.40), even if the company incrementally increases discretionary spending. The fastest growing part of the core business (biotechnology) is also a higher margin business, which should lead to accelerating revenue and earnings growth. Another factor impacting growth and margin is the percentage of clients that use Westar RS where the products are delivered ready to sterilize (washed and siliconized). Since its inception in 2001, this value added service is now used by 20% of clients, and this could expand to 50% over the next few years as manufacturing capacity has been expanded. We see revenue growth of 7%-10% over the next few years, higher than the company's stated view of 5%-7%, which it has generally exceeded. Based on our 2005 EPS estimate of \$1.40 (which includes some continuing Kinston incremental operating expenses), WST is trading at 15.6X earnings, a reasonable valuation relative to 15%-20% earnings growth likely over the next few years. As investors look out to 2006, EPS could exceed \$1.70. In our view, a 17X-19X multiple of 2006 earnings seems reasonable, leading to a 12-18 month price target in the high \$20's. Using a

8X multiple on core 2006 EBITDA of \$125 million would lead to a price target in the low \$30's, even assuming very modest sales proceeds on Drug Delivery. In addition, the shares have a 2% dividend yield.

Company Description

West Pharmaceutical Services provides closure systems and components primarily for use with parenterally (taken into the body intramuscular or intravenous) administered drugs. It is one of the world's largest manufacturers of rubber and elastomeric closures and components for sealing injectable drug vials, prefilled syringes and other pharmaceutical containers. The company also provides contract laboratory services for testing drug packaging. In its Drug Delivery Systems segment, the company identifies and develops products where alternative delivery methods (transmucosal and advanced oral) can provide better patient outcomes. The largest target market is pain management.

West currently operates 21 manufacturing sites around the world, with 32 sales offices. It employs over 4,000 employees worldwide.

Company Background

West Pharmaceutical was founded in 1923 in Philadelphia, Pennsylvania by Herman West. In the 1930's, West developed closure system components that enabled penicillin and insulin to be safely administered by injection. The company was run by Herman West and his son Bill for the first 65 years, and transitioned to non-family management in the early 1990's. The company went public in 1973, and the shares moved the NY Stock exchange in 1980.

West Operates in Two Divisions

Pharmaceutical Systems (98% of 2004E Revenues).

This reporting segment designs, manufactures, and sells stoppers, closures, and medical device components. These products are made from elastomers, metals, and plastics. They are used for sealing injectable drug vials, prefilled syringes, and

other pharma containers holding serums, vaccines, antibiotics, IV solutions, etc. The company offers several hundred proprietary natural rubber and synthetic elastomers formulations molded into closures and components in a variety of shapes, sizes, and colors. These stoppers have to be tested on every drug that they will be used with to show that they do not leach into the product or impact the drugs safety or effectiveness. Before these products can be used, they must be sterilized. Disposable medical device is an operating segment within Pharmaceutical Systems where the company's expertise in large volume precision compression molding is used to manufacture components for disposable syringes and IV sets. The company also uses precision injection molding to manufacture multipiece closures that require high speed assembly. Some of the products made include plastic contraceptive drug packages, child-resistant and tamper-resistant plastic closures, and plastic systems used for lyophilized drug reconstitution (from freeze dried). Some of these applications are in personal care and food & beverage markets. Finally, this segment includes laboratory services, where the company performs specialized testing (extractables and leachables analysis) to determine compatibility of its products with various drugs, as well as contract work for clients.

Drug Delivery Systems (2% of 2004E Revenues).

This division focuses on the research, development, and commercialization of novel drug delivery systems. As we will discuss shortly, the company announced it will pursue strategic alternatives for this segment. We have assumed that some type of event will occur and starting in 2005, this will no longer be part of West and will be carried as a discontinued operation even if the sale occurs closer to mid year. For this reason, our report will not have extensive discussions regarding this segment.

West Pharmaceuticals At A Glance

Segments	Products/Services	What They Do	Markets	Customers	2004E Revenue	% Revenue	Revenue Growth Rate
Pharmaceutical Systems Segment							
Pharmaceutical Packaging	Seals Stoppers Clean Packaging Options Discs/buttons Dropper Bulbs/Assemblies Barrier Film	Make stoppers and seals for drug, diagnostic and laboratory vials.	Pharmaceutical Dental Diagnostic Ophthalmic Generics Veterinary	Eli Lilly Novo Nordisk A/S Amgen Inc. Genentech, Inc.	\$384.0	70%	high single low double digit growth
Disposable Medical Components	IV Fitments Syringe Components Stoppers Flashback Bulbs	Make components for syringe, IV and blood collection systems.	Medical Devices Dental Veterinary	BD Baxter Tyco Abbott	\$102.0	19%	low single digit growth
Personal care/food packaging	Closures for cartons Packaging/Containers	Make components for consumer product.	Consumer Products	International Paper Procter & Gamble J&J	\$37.0	7%	low double digit growth
Analytical Laboratory Services	Compendial Testing Container/Closure Testing Extractable Testing Seal Integrity Testing Stability Testing	Determine the compatibility of its rubber and elastomer components with customer' drugs.	Pharmaceutical Medical Devices Dental Diagnostic Ophthalmic Generics Veterinary Delivery Systems	Merck & Co.	\$12.0	2%	low double digit growth
Drug Delivery Business Unit							
Clinical services		Conduct Phase I & II clinical trails.	Pharmaceutical Medical Devices Generics		\$7.0	1%	
Development/Licensing		Develop proprietary drug delivery systems and products.			\$3.0	1%	

Source: Company documents, CJS Securities estimates

West Pursuing Monetization Strategy for Drug Delivery Division

West entered this market through an acquisition of DanBioScript, done in multiple steps starting in 1994. At that time, management felt its base injectable business could show flat growth and decided it needed to explore faster growth opportunities. Some of the targeted opportunities included nasal delivery of drugs, advanced oral deliveries, and transmucosal and parenteral vaccine delivery. The markets that are the therapeutic areas of interest are large (\$40 billion E) and growing 15%. West has a broad range of products at various stages of regulatory testing (pre-clinical to phase II).

In June 2004, West announced that it decided to explore strategic alternatives for its Drug Delivery division. The company concluded at that time that changes in the market were likely to lead to escalating costs and extended timelines before these products could be commercialized. While this opportunity is enormous, it probably makes more sense for a larger

biotechnology firm to own these assets and bring these products to fruition. We note that the therapies involved have shown they work.

The company has invested significant sums in reaching this stage. Research & Development spending has exceeded \$45 million and the cost of acquiring DanBioScript (to enter this area) exceeded \$40 million. The markets are huge and any breakthrough product could justify a high valuation. **We believe any guess at an eventual sale price is speculation.** Potential purchasers could use DCF valuations on expected revenues. We believe a very conservative approach to an eventual sale makes the most sense, allowing for upside potential if a better outcome can be achieved. Our assumption is that a sale for 25% of investment spending that has already occurred should prove conservative. What we can't answer is if some investors have built in much higher proceeds into their valuation for West. Most importantly, from a valuation perspective, we only take those proceeds and use them to pay down debt, while at the same time assume that discretionary expenses in the core business increase. In other words, we do not even recover all of the operating losses from this division. We note that to the

extent these funds are reinvested in initiatives in pharmaceutical systems, growth there could accelerate.

If West decides to retain some minority interest, this would reduce operating income by the percentage of losses it would have to show under equity accounting. At this point, investors have no reasonable way to evaluate this potential outcome, and this could prove some risk to estimates in 2005 and beyond. Of course, there can be no certainty that a sale will occur. The company indicated that interest in the initial document was strong, with over 80 requests for additional information.

Global Market Leader in Large and Growing Niche

West is the clear global leader in closures for injectable vials, with commanding market shares. These are estimated to range from 60%-70% in pharmaceuticals. In the fast growing biotechnology area, where more technical expertise is required, market shares are estimated to be in excess of 90%. On devices, the market is much larger (4X-6X) but is growing much more slowly and is more competitive. West has a smaller percentage of this market and could gain market share through innovative products or lower cost manufacturing.

Currently, West has two principal competitors, both of whom are much smaller and have invested less in technology and manufacturing over the last few years. Helvoet, a subsidiary of Datwyler is estimated to have revenues in this area of approximately \$100-\$125 million and Stelmi, a privately owned French company, is estimated to have revenues of less than \$50 million. To the extent that West can deliver more value added services and technologically innovative products, its percentage of the market could grow.

Regulatory and Capital Barriers to Entry

The company's packaging components are regulated by the FDA and other global agencies. Specifically, products that are in contact with drugs must demonstrate that they don't impact the stability or functionality of the drug over time (multi-year studies).

Whenever a company tries to market a new drug or new format, it must prove these issues under standard conditions, as well as unusual conditions, such as high temperatures or humidity. These studies can take anywhere from six months to 2 years. The two issues that must be addressed in packaging are extractables and leachables. The NDA/ANDA must include these disclosures. West maintains detailed written records of raw materials used, and before shipping, must test samples of each lot for conformance with specifications. Its plants must meet stringent current good manufacturing practices, generally referred to as "cGMP" regulations. Typically, a company would have to invest considerable sums in building a plant which could then take several years to pass the necessary customer testing.

Drug Masterfile 1546 acts as Switching Barrier

West maintains a document with the FDA called the drug masterfile, or the 1546 document, which has specifications on West's processes and information on the composition of its elastomer and rubber compounds. When a customer is seeking a new product approval for a product that incorporates West's components, the FDA will approach West for access to the information for a filing. This process enables West to maintain trade secrets and only the FDA can view this file.

If a customer wanted to switch from West on a product, it would have some actual cost involved (as much as several hundred thousand dollars). However, the bigger issue is that the required testing could easily take two years. This forms a very significant barrier to exit once a West product is specified in an NDA or ANDA.

Broad Geographic Manufacturing Capabilities Critical to Clients

West maintains multiple manufacturing facilities around the world, so that clients can get multiple sources of supply from a single company. Wherever a client wants to manufacture its drugs, West can provide components produced to the same standards and acceptable to regulatory authorities. Pharmaceutical companies tend to be risk adverse and can not accept

risk from a single manufacturing facility for a required component. This risk was highlighted recently with Chiron's problems at its single site (West had no material exposure to that event).

This global manufacturing capability was underscored when the company had the explosion at its large Kinston, North Carolina manufacturing facility in January 2003. West was able to shift production to other facilities and there was virtually no impact on deliveries to its key clients. West works with clients to get them to approve multiple plant locations for each product, so that manufacturing can shift if needed. While West had to absorb some higher operating costs and margin hit, it proved to its clients that it was a reliable supplier able to deliver even under extreme circumstances.

World-Class Customer Base

Every major multi-national pharmaceutical, biotechnology, generic and medical device manufacturer is a customer of the company. In essence, West is the supplier that no one will question if you use, which is quite different from most of the other choices a company might consider. The cost of its components is miniscule relative to the value of the product sold. Reliability, product design, and performance drive client selection generally, not price.

World Class Clients

Abbott Laboratories	Johnson & Johnson
AstraZeneca LP	Merck & Co., Inc.
Aventis SA	Novartis AG
Baxter International Inc.	Pfizer Inc.
Bayer AG	Procter & Gamble Co.
Bristol-Myers Squibb Co.	Roche Holding AG
Eli Lilly and Company	Scherring-Plough Corp.
GlaxoSmithKline plc	Tyco International Ltd.

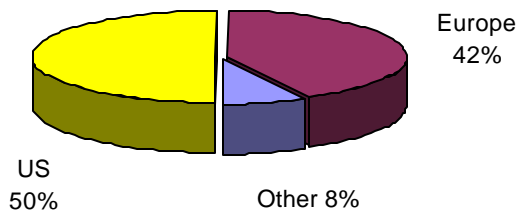
Source: Company Documents

There is no excessive client concentration. Becton Dickinson is the largest client, accounting for slightly more than 10% of sales. The next 15 clients are in the

\$8-\$12 million range, and the top ten clients after BD accounted for 31% of sales in 2003. No other client accounts for 4% of sales, reducing client risk. As we indicated earlier, clients have barriers to exit that are substantial.

Approximately 50% of revenues are derived outside of the U.S., which is not surprising given the global mix of clients.

West Revenue by Region



Source: CJS Securities estimates.

Company Strategy

We see two key elements to West's plans to grow. First, the company intends to leverage its high-speed precision manufacturing capabilities by increasing the dollar value of client spending on components. Second, it plans to increasingly target systems and devices for injectable products.

Some of the newer products will likely increase the competitive advantage that West currently enjoys.

Positioned as Value-Added Supplier

One of West's competitive strengths is its ability to provide better products, while at the same time helping clients reduce their capital expenditures. In 2003, West had 56 professionals engaged in new product activity. In addition, it has spent significant sums on expanding manufacturing of its newer products.

Some of West's products enhance client value by improving the chemical and mechanical properties of elastomeric components. By adding coatings or films, these products can enhance line speed in manufacturing or reduce the drug interaction with the closure. An example of this performance was the introduction of West *FluroTec* barrier film in 2003. This product reduces stopper clumping during autoclave sterilization. It provides lubricating capabilities without the need for silicon oil, a source of potential particulate contamination. Protein doesn't react to Teflon as it does with rubber. West holds the patent worldwide on this process, in license with its Japanese partner, Daikyo Seiko, Ltd. *LyoTec* stoppers treated with *FluroTec* help prevent vial stoppers from sticking to shelves. This is an increasing problem for lyophilized drugs. Most emerging biotech drugs are unstable in a liquid form. One way to deal with this issue is by taking out the liquid by freeze drying (lyophilizing) the product and reconstitute it by adding diluent at the site when ready for use. Lyophilized stoppers increase costs versus traditional closures but when viewed in the context of extremely expensive drugs that might have to be destroyed, this cost is relatively insignificant. Prior to these components being available, manufacturers may have had to have an additional 25% of the drug in the vial to allow for spillage. On products where unit costs can be thousands of dollars per vial, an effective closure is very inexpensive.

Westar RS is the "Cleanest" Part of this Company

Another way that West is helping customers solve critical problems while at the same time increasing its opportunity to gain greater share of the packaging spend is Westar RS products (or ready for sterilization). Traditionally, West would send "clean" products to its clients, who would then have to perform multiple tasks to prepare the products to be sterilized. These procedures were generally very expensive and time consuming for companies. Westar RS helps clients reduce their in-house processing and manufacturing costs. By using natural economies of scale, Westar can do this better and cheaper than its clients can.

Westar components are processed in a controlled FDA-regulated facility. Components are final rinsed in specially treated water, resulting in reduced endotoxin, bioburden, and particulate matter levels, and are siliconized to customer specs at West's facilities rather than at clients. The components are delivered to clients in ready to sterilize bags, so that the only thing the client needs to do is introduce the product into its steam sterilizer. By reducing many of the steps related to closure preparation, West can help clients shorten cycle times and increase throughput by reducing capital needed, and production and regulatory compliance costs.

This capability was launched in 2001, but the company had to expand its manufacturing capabilities and have redundant facilities before this process could rapidly expand. It has doubled (and ultimately will triple) its Westar capacity in France, Germany, and Singapore.

These products are typically not cataloged and are sold at premiums to standard products. We understand these can range from 15% to over 50%. Margins on these products are believed to be above corporate averages. Currently, about 20% of products are treated this way and it is likely to exceed 50% in the foreseeable future, now that capacity is in place to handle increased demand.

The next phase of Westar evolution will be pre-sterilized products over the next few years. In Westar RU, or ready to use, the product is delivered to the client sterilized. It can be done using steam, or increasingly using gamma.

D-I-D System can help Protect Against Counterfeits

While some may find it hard to believe, due to the incredible increase in the cost of certain drugs, there has been an upsurge in drug counterfeiting. This is a critical concern for patient safety, and can be a revenue issue for drug companies. To counteract this trend, West has taken its expertise in plastic buttons and aluminum seals to create a total packaging system called D-I-D, which stands for decoration, identification, and differentiation. These customized buttons can identify the product as genuine and provide

point of use information to the patients. West can help clients place information on the cap, can color code products for dosage, and can meet requirements of customers who must print a warning notice for paralyzing agents or neuromuscular blocking agents.

West is also working on new technologies such as RFID and infrared links for overt, covert, and forensic product identification. Other technologies being looked at include holograms, special visibility inks under UV, and infrared ink. To the extent drug prices rise, these incremental costs can be justified.

Capital Investments 3-5 years ahead of Expected Revenues

Because of the FDA plant validation requirements, West typically must invest in plant expansion 3-5 years before it can realize the full revenue impact and margin. Over the last 4 years (including 2004), the company will have invested over \$200 million in capital expenditures. Included in this figure was the rebuild of Kinston, but clearly the company has spent significant sums to roll out its value added products over the next few years. In Europe, capacity has been increased, in some cases in excess of 40%, while at the same time technology has been upgraded. Capacity for Trimtec, a co-injection molded IV fitment for Braun, was increased. Finally, Westar production capacity was doubled or more, depending on plant location.

With ample capacity now in place, and with Kinston likely to return to full production in early 2005, capital spending could return to more normal levels for the next few years.

Financial Objectives

The company has disclosed financial goals for investors to get a sense of future growth. Debt to total capital is targeted at 35% or better, excluding acquisition-related debt. Sales growth is targeted at 5%-7% before the effects of currency. Since 50% of sales are international, currency can have a significant impact. Finally, the company seeks to control discretionary spending.

Our view is that the debt load is very close to the goal currently, and will likely be below that threshold after any monetization event for the Drug Delivery Segment. Regarding sales growth, we believe that growth is more likely to be in the high single digits range as biotech drugs come to market and West provides more dollar content for its clients.

Model Assumes Sale of Drug Delivery in 2005

In building our model for West, we have presented pro-forma numbers that strip out one time impacts from Kinston. Starting with our q4 2004 estimate, and for all of 2005, we have included some ongoing expenses in our base model for Kinston, as well as assuming that drug delivery is carried as a discontinued business. We have kept \$5 million of G & A expenses from Drug Delivery which can be allocated to other projects or growth initiatives. We have kept pension expense at \$5 million for 2005, and have rapidly escalated share count to build the impact of stronger stock performance on option stock. We have not fully allocated potential proceeds from a sale, which would reduce interest expense.

Removal of Drug Delivery Has Dramatic Impact on Financials		
	<u>Including Drug Delivery</u>	<u>Excluding Drug Delivery</u>
Revenue	\$590.1	\$580.1
COGS	\$404.6	\$397.6
Gross Profit	\$185.4	\$182.4
<i>Gross Margin %</i>	31.4%	31.5%
SG&A	\$125.0	\$112.5
Op Income	\$60.4	\$69.9
<i>Op Margin %</i>	10.2%	12.1%
Int. & Other	\$7.6	\$7.6
Pre Tax Inc	\$52.8	\$62.3
Inc. Taxes	\$16.9	\$19.9
Equity in Affiliate	\$3.0	\$3.0
Net Income	\$38.9	\$45.4
EPS	\$1.20	\$1.40
*Based on 2005 Projections.		
Source: CJS Securities Estimates		

Highly Visible Revenue Growth for Next Few years

One of the attractive parts of this idea is that revenue visibility is reasonably good. Most programs start as development pilots and then are expanded into full manufacturing. While there can be single product problems (VIOXX) most revenue growth will come from continued growth of existing products as well as new products that West is participating in.

While we can't predict which specific biotech drugs will hit in any year, it seems reasonable to assume that there will be many new drugs introduced during this time frame. We remind investors that the company sells to every major multinational drug and biotech company so is not tied to the success or failure of any individual company.

While the company has discussed revenue growth of 5%-7% as a goal, we believe that a more realistic growth rate over the next few years will likely be 7%-10%

Raw Material Cost Escalation has been Impacting Margin

Many of the elastomers used by the company to manufacture its components are oil based products and costs have escalated rapidly. This problem will likely impact margins in the next few quarters, but over time, as the company adds value services and products, this issue should diminish in importance. The company can approach its clients for some relief, since the product is very hard to get elsewhere without substantial delay.

Increased IT Spending May impact SG&A in 2005

In looking at our model, we have built in some incremental IT spending in 2005. As a reminder, the company had a planned IT expenditure of \$30 million which it shelved in 2001. We do not expect a plan near that level, and most of whatever will be spent will be capitalized. Other expenses that could be stubborn are SarBox costs and other regulatory expenditures.

Balance Sheet Ratios are Attractive

The balance sheet of West seems reasonable, with \$100 million of fixed cost (6.8%) debt that can't be repaid without significant penalty through 2009. Its bank borrowings are approximately \$67 million at rates tied to LIBOR, and currently these are at rates under 2%. This five-year facility has been renegotiated at LIBOR+100 BP. There is \$53 million of cash on the balance sheet but it is offshore and would extremely costly to repatriate, although there are discussions about changes in the law.

Free Cash Flow Likely to Increase Sharply

With capital spending poised to slow over the next few years, with less drain to earnings from Drug Delivery assuming it gets sold, and with increasing core earnings, West is poised for a dramatic acceleration in its FCF.

Free Cash Flow					
(All figures \$MM)	FY - 2002a	FY - 2003a	FY - 2004	FY - 2005	FY - 2006
Cash flows from Operations	46	69	55	78	86
Capital Expenditures	(38)	(61)	(57)	(44)	(44)
Free Cash Flow	8	8	(2)	34	42
% Growth	nmf	6%	-121%	nmf	24%

Source: Company Documents and CJS Securities Estimates

Executive Management Change in 2003 is Reshaping the Company

West has had a relatively modest number of CEOs in its history. In 2003, Don Morel was promoted to Chairman, President and CEO replacing Bill Little who held that post for the prior 11 years. We believe Don brings an excellent balance of technical skills, and operational experience within the company. Mr. Little was focused on relationships with CEOs of leading pharmaceutical companies and may have listened too much to their vision of where the industry may have been heading in the early-mid 90's. At that point, the common wisdom was that drugs would be formulated for oral dosing. This may have impacted his strategic thinking, if he felt that injectables could be in a declining mode. Today, most participants believe that biotech drugs will generally be in injectable form.

In his relatively short tenure, Morel has taken several actions to better position West. First he sold the low margin contract manufacturing unit. He is examining strategic alternatives for the Drug Delivery Segment. He has managed to continue to deliver performance despite the explosion at Kinston. It will be interesting to see how he reinvests the potential proceeds when Drug Delivery gets sold.

We also note that CFO Bill Federici assumed his role in 2003, after 20 years of extensive public company experience.

Management Compensation Driven by Achieving EPS and CF Targets

Bonus plan payments are driven by performance based goals. The two key components are EPS (65%) and cash flow targets (35%). No payouts are made if actual performance is below 85% of goal. We think this system aligns management performance with shareholder interests

We like to see more stock ownership of executives but note that a portion of bonuses is paid in restricted shares. The long term incentive plans are driven by sales growth and return on invested capital.

Valuation

We believe investors are likely to focus on multiple of earnings, relative to expected growth as the primary

valuation metric for West. On the core business, we see high-teens earnings growth for the next few years and like the increasing competitive advantage and barriers to entrants. On that basis, we believe a high teens multiple of EPS is a reasonable target. At a P/E/G ratio of 1X, shares appear attractive, particularly since there are barriers to entrants.

There is no direct public comparable in the packaging area that we believe has the attractive business characteristics of West. Companies like Aptargroup are involved in drug packaging but with virtually no competitive barrier.

On an EV/EBITDA basis, a 8X multiple on 2005 EBITDA would lead to a low \$30s stock price, even if the Drug Delivery segment were only sold for \$20 million and the proceeds were only used to reduce debt.

Trading Liquidity Remains Problematic

We caution clients that care needs to be used in building core positions. There are 2 factors we can identify that might account for the modest volume. First, there is little institutional coverage. Second, while essentially all of the shares float, 2 institutions own 22% of the shares and some of the West family shares are held at a trust company.

The recent 2/1 stock split seems to have increased trading volume, as well as the announcement of the

West Attractively Valued vs. Peers

Company Name	Share Price	Market Cap (\$MM)	TEV (\$MM)	TEV/NTM Total Rev	TEV/NTM EBITDA	EPS CY 2005*	EPS Growth	P/E CY 2005*	P/E/G
AptarGroup	\$46.79	\$1,675.0	\$1,716.5	1.3x	6.8x	\$2.40	11%	19.5x	1.8x
Bemis Co., Inc	\$25.30	\$2,708.7	\$3,208.0	1.1x	6.8x	\$1.58	16%	16.0x	1.0x
Cambrex Corp.	\$22.00	\$574.6	\$721.3	1.5x	6.9x	-\$1.93	10%	nmf	nmf
Pactiv Corp.	\$22.84	\$3,429.6	\$4,598.6	1.3x	7.2x	\$1.04	nmf	22.0x	nmf
Rexam PLC	\$40.44	\$4,388.1	\$6,752.1	NA	NA	-\$0.98	nmf	nmf	nmf
Sealed Air Corp	\$45.75	\$3,820.9	\$5,623.7	1.4x	7.4x	\$2.21	10%	20.7x	2.0x
Average				1.3x	7.0x		12%	19.6x	1.6x
West Pharmaceutical Services	\$21.82	\$687.3	\$792.4	1.4x	7.2x	\$1.40	20%	15.6x	0.8x

Source: Company data, Capital IQ, CJS Securities estimates.

plan to seek strategic alternatives for Drug Delivery. Since June, the average daily volume, relative to the last 4 years, has increased to 71M shares daily or up 46%.

Our view is that as this story gets better understood by small cap managers, broader ownership should act to increase trading volume.

West Pharmaceutical Services, Inc Proforma Income Statement (\$mm)															
	FY2000	FY2001	FY2002	FY2003	Q1 3/04a	Q2 6/04a	Q3 9/04	Q4 12/04	FY2004	Q1 3/05	Q2 6/05	Q3 9/05	Q4 12/05	FY2005	FY2006
Revenues	418.1	394.5	419.7	490.7	133.6	138.1	135.3	137.5	544.5	142.1	147.5	144.0	146.4	580.1	628.8
y/y growth		-5.6%	6.4%	16.9%	13.4%	9.3%	12.7%	8.8%	11.0%	9.0%	8.3%	8.2%	8.5%	8.5%	8.4%
Proforma Cost of Goods and Ser	314.3	279.3	302.1	334.9	89.8	92.2	95.5	91.7	369.3	95.7	98.8	100.8	98.8	394.1	423.6
% of Rev's	75.2%	70.8%	72.0%	68.2%	67.2%	66.8%	70.6%	66.7%	67.8%	67.3%	67.0%	70.0%	67.5%	67.9%	67.4%
y/y growth		-11.1%	8.2%	10.9%	12.6%	8.8%	15.0%	5.1%	10.3%	6.5%	7.2%	5.6%	7.7%	6.7%	7.5%
Kinston Cost of Goods				9.9	3.2	3.1	3.1	3.1	12.4	2.5	1.0	0.0	0.0	3.5	0.0
Proforma Gross Margin	103.8	115.2	117.6	155.8	43.8	45.9	39.8	42.7	172.1	44.0	47.7	43.2	47.6	182.4	205.2
% of Rev's	24.8%	29.2%	28.0%	31.8%	32.8%	33.2%	29.4%	31.0%	31.6%	30.9%	32.3%	30.0%	32.5%	31.5%	32.6%
y/y growth		11.0%	2.1%	32.5%	15.2%	10.3%	7.4%	9.1%	10.5%	0.5%	3.9%	8.6%	11.5%	6.0%	12.5%
Proforma Selling, General and A	66.0	73.1	83.9	111.0	28.4	30.4	30.0	31.8	120.5	27.0	27.5	28.0	30.0	112.5	121.0
% of Rev's	15.8%	18.5%	20.0%	22.6%	21.2%	22.0%	22.2%	23.1%	22.1%	19.0%	18.6%	19.4%	20.5%	19.4%	19.2%
y/y growth		10.8%	14.8%	32.3%	16.2%	13.3%	19.1%	13.4%	8.6%	-4.8%	-9.4%	-6.7%	-5.7%	-6.7%	7.6%
Other (Income)/Expense	(0.3)	0.0	(1.6)	0.6	0.8	0.4	0.0	0.0	1.2	0.0	0.0	0.0	0.0	0.0	0.0
Proforma EBIT	38.1	42.1	35.3	44.2	14.6	15.1	9.8	10.9	50.4	17.0	20.2	15.2	17.6	69.9	84.2
% of Rev's	9.1%	10.7%	8.4%	9.0%	10.9%	11.0%	7.2%	7.9%	9.3%	11.9%	13.7%	10.6%	12.0%	12.1%	13.4%
y/y growth		10.5%	-16.2%	25.3%	10.6%	2.8%	5.7%	54.8%	14.0%	16.3%	33.4%	55.1%	61.4%	38.7%	20.4%
Net interest (income)/exp	13.2	12.0	9.5	7.5	1.9	1.6	1.9	1.9	7.3	1.9	1.9	1.9	1.9	7.6	6.6
% of Rev's	3.2%	3.0%	2.3%	1.5%	1.4%	1.2%	1.4%	1.4%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.0%
y/y growth		-9.1%	-20.8%	-21.1%	0.0%	-5.9%	-5.0%	0.0%	-2.7%	0.0%	18.8%	0.0%	0.0%	4.1%	-13.2%
Proforma Earnings before Tax	24.9	30.1	25.8	36.7	12.7	13.5	7.9	9.0	43.1	15.1	18.3	13.3	15.7	62.3	77.6
% of Rev's	6.0%	7.6%	6.1%	7.5%	9.5%	9.8%	5.8%	6.5%	7.9%	10.6%	12.4%	9.2%	10.7%	10.7%	12.3%
y/y growth		20.9%	-14.3%	42.3%	12.4%	4.0%	8.6%	75.1%	17.4%	18.7%	35.1%	68.4%	74.4%	44.6%	24.4%
Proforma Provision for Income T	3.5	9.3	8.6	10.9	4.1	4.3	2.4	3.0	13.8	4.8	5.8	4.3	5.0	19.9	24.8
Proforma Tax Rate	14.1%	30.9%	33.3%	29.6%	32.6%	32.0%	30.4%	33.0%	32.1%	32.0%	32.0%	32.0%	32.0%	32.0%	32.0%
Equity in Net (Loss)/income of A	1.2	0.5	0.5	1.6	0.7	0.9	1.2	0.2	3.0	0.7	0.8	1.2	0.3	3.0	3.4
Proforma Net Income (Loss)	22.4	45.6	17.7	27.4	9.2	10.1	6.7	6.2	32.2	11.0	13.2	10.2	11.0	45.4	56.2
% of Rev's	5.4%	11.6%	4.2%	5.6%	6.9%	7.3%	5.0%	4.5%	5.9%	7.7%	9.0%	7.1%	7.5%	7.8%	8.9%
y/y growth		103.6%	-61.2%	55.0%	13.1%	4.7%	17.5%	58.1%	17.5%	18.9%	31.0%	52.9%	76.1%	40.8%	23.7%
Proforma Net Income per Shar	\$0.78	\$1.59	\$0.61	\$0.94	\$0.31	\$0.33	\$0.21	\$0.20	\$1.05	\$0.34	\$0.41	\$0.32	\$0.34	\$1.40	\$1.70
% Growth Year-to-Year		104.4%	-61.4%	53.8%	8.7%	-1.3%	9.7%	49.3%	11.0%	12.0%	24.9%	47.2%	69.6%	34.1%	20.8%
Fully Dil Shares Outst. (mil)	28.8	28.7	28.9	29.1	30.1	30.7	31.3	31.5	30.9	32.0	32.2	32.5	32.7	32.4	33.1
Proforma EBITDA	68.3	74.0	68.3	77.2	22.9	23.8	18.5	19.6	84.8	27.0	30.2	25.2	27.6	109.9	124.2
% of Rev's	16.3%	18.8%	16.3%	15.7%	17.1%	17.3%	13.7%	14.2%	15.6%	19.0%	20.5%	17.5%	18.8%	19.0%	19.7%
y/y growth		8.3%	-7.7%	13.1%	7.5%	2.7%	8.4%	25.3%	9.8%	17.8%	26.6%	36.2%	40.8%	29.6%	12.9%
Depreciation and Amortization	30.2	31.9	33.0	33.0	8.3	8.7	8.7	8.7	34.4	10.0	10.0	10.0	10.0	40.0	40.0
% of Rev's	7.2%	8.1%	7.9%	6.7%	6.2%	6.3%	6.4%	6.3%	6.3%	7.0%	6.8%	6.9%	6.8%	6.9%	6.4%
y/y growth		5.6%	3.4%	0.0%	2.5%	2.4%	11.5%	1.2%	4.2%	20.5%	14.9%	14.9%	14.9%	16.3%	0.0%

Source: Company Data and CJS Securities Estimates

*Reflects 2/1 stock split

West Pharmaceutical Services, Inc

Balance Sheet (\$mm)	FY 2000	FY 2001	FY 2002	FY 2003	Q1 3/04	Q2 6/04	Q3 9/04	Q4 12/04	FY 2004	Q1 3/05	Q2 6/05	Q3 9/05	Q4 12/05	FY 2005	FY 2006
Current Assets															
Cash and Cash Equivalents	42.7	42.1	33.2	37.8	40.6	52.9	56.2	51.1	51.1	52.1	61.8	66.4	69.8	69.8	99.8
Accounts Receivables	53.7	59.5	66.6	73.9	83.7	81.0	82.0	83.7	83.7	85.0	86.4	87.8	89.1	89.1	96.6
Income Tax Receivable	7.7	5.7	3.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Insurance Receivable	0.0	0.0	0.0	41.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Inventories	34.8	34.3	41.3	48.0	52.2	55.5	50.9	52.6	52.6	54.6	53.3	54.2	57.1	57.1	62.5
Deferred Income Taxes	7.7	2.4	5.2	6.1	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Other Current Assets	12.2	14.5	11.9	9.9	12.3	13.1	13.1	13.1	13.1	13.1	13.1	13.1	13.1	13.1	13.1
Total Current Assets	158.8	158.5	161.8	216.7	194.8	208.5	208.1	206.4	206.4	210.8	220.6	227.4	235.1	235.1	278.0
Non Current Assets															
Gross Property Plant and Equipment	451	458.8	499.6	563.6	572.7	577.7	591.9	606.1	606.1	617.1	628.1	639.1	650.1	650.1	694.1
Accumulated Depreciation	(249.4)	(248.7)	(276.3)	(307.9)	(313.0)	(316.3)	(325.0)	(333.7)	(333.7)	(343.7)	(353.7)	(363.7)	(373.7)	(373.7)	(413.7)
Net Property, Plant and Equipment	201.6	210.1	223.3	255.7	259.7	261.4	266.9	272.4	272.4	273.4	274.4	275.4	276.4	276.4	280.4
Investments in and Advance to Affiliated Companies	22.0	20.8	18.0	22.2	22.9	22.9	22.9	22.9	22.9	22.9	22.9	22.9	22.9	22.9	22.9
Deferred Income Taxes	18.0	21.4	19.9	20.5	20.7	20.7	20.7	20.7	20.7	20.7	20.7	20.7	20.7	20.7	20.7
Goodwill	34.9	30.7	35.5	41.5	41.2	40.8	40.8	40.8	40.8	40.8	40.8	40.8	40.8	40.8	40.8
Patents	0.0	7.6	7.3	6.9	7.0	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7	6.7
Other Assets	15.6	13.7	9.1	9.6	8.7	8.1	8.1	8.1	8.1	8.1	8.1	8.1	8.1	8.1	8.1
Prepaid Pension Asset	40.2	48.3	54.7	50.5	49.8	49.2	49.2	49.2	49.2	49.2	49.2	49.2	49.2	49.2	49.2
Insurance Receivable	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Assets	549.1	511.3	529.6	623.6	604.8	618.3	623.4	627.2	627.2	632.6	643.4	651.2	659.9	659.9	706.8
Current Liabilities															
Accounts Payable	23.5	22.2	19.2	29.4	26.6	24.5	27.3	27.7	27.7	28.1	28.6	29.0	29.5	29.5	31.7
Accrued Restructuring Expenses	4.2	2.2	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4
Salaries, Wages and Benefits	10.9	15.8	17.0	24.5	19.9	22.5	22.7	23.0	23.0	23.2	23.4	23.6	23.9	23.9	24.9
Current Portion of Long-term Debt	0.5	4.3	11.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Income Taxes Payable	7.2	5.4	9.4	8.4	11.8	9.8	9.8	9.8	9.8	9.8	9.8	9.8	9.8	9.8	9.8
Notes Payable	3.1	4.4	4.1	8.0	3.6	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8	4.8
Deferred Income Taxes	1.9	1.6	2.4	16.6	16.6	16.6	16.6	16.6	16.6	16.6	16.6	16.6	16.6	16.6	16.6
Others	19.7	19.4	23.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Current Liabilities	0.0	0.0	0.0	30.6	29.9	28.5	28.5	28.5	28.5	28.5	28.5	28.5	28.5	28.5	28.5
Total Current Liabilities	71.0	75.3	88.2	118.9	109.8	108.1	111.2	111.7	111.7	112.4	113.1	113.7	114.5	114.5	117.7
Long-term Debt	195.8	184.3	159.2	167.0	148.6	153.2	153.2	153.2	153.2	153.2	153.2	153.2	153.2	153.2	153.2
Deferred Income Taxes	51.0	46.8	48.5	44.8	45.1	45.4	45.4	45.4	45.4	45.4	45.4	45.4	45.4	45.4	45.4
Other Long-term Liabilities	25.5	28.1	32.2	35.3	38.2	39.3	39.3	39.3	39.3	39.3	39.3	39.3	39.3	39.3	39.3
Total Non Current Liabilities	273.3	259.2	239.9	247.1	231.9	237.9	237.9	237.9	237.9	237.9	237.9	237.9	237.9	237.9	237.9
Shareholders Equity	204.8	176.8	201.5	257.6	263.1	272.3	274.4	277.6	277.6	285.5	295.6	302.8	310.6	310.6	354.4
Total Liabilities & Shareholders Equity	549.1	511.3	529.6	623.6	604.8	618.3	623.5	627.2	627.2	635.8	646.6	654.4	663.0	663.0	710.0

Source: Company Data and CJS Securities Estimates

West Pharmaceutical Services, Inc Statement of Cash Flows (\$mm)					21.8 12.7				FY 2004					2005	2006
	FY 2000	FY 2001	FY 2002	FY 2003	Q1 3/04a	Q2 6/04	Q3 9/04	Q4 12/04		Q1 3/05	Q2 6/05	Q3 9/05	Q4 12/05		
Net Income	1.6	-5.2	18.4	31.9	7.0	7.7	4.3	6.2	25.2	11.0	13.2	10.2	11.0	45.4	56.2
Depreciation and Amortization	30.2	31.9	33.0	33.0	8.3	8.7	8.7	8.7	34.4	10.0	10.0	10.0	10.0	40.0	40.0
Gain/loss on Sales of Real Estate Investments	1.0	0.6	0.6	1.4	0.0	0.0			0.0					0.0	0.0
Restructuring and Impairment Charge	5.5	-2.2	8.6	6.0	0.0	0.0			0.0					0.0	0.0
Loss (Equity) in Undistributed Earnings of Affiliated	-1.0	-0.3	0.2	-1.6	0.0	0.0			0.0					0.0	0.0
Pension and Other Retirement Plans	-15.8	-10.0	-4.8	6.0	0.0	0.0			0.0					0.0	0.0
Gain on Insurance Settlements	0.0	0.0	0.0	-28.7	0.0	0.0			0.0					0.0	0.0
Income (Loss) from Discontinued Operations	18.4	24.9	-5.7	0.0	0.0	0.0			0.0					0.0	0.0
Accounts Payable	0.0	0.0	0.0	0.0	0.0	0.0	2.8	0.3	-8.6	0.4	0.5	0.4	0.5	1.9	2.2
Accounts Receivable	2.6	-7.5	-3.7	-1.2	0.0	0.0	-1.0	-1.7	-2.7	-1.3	-1.4	-1.3	-1.4	-5.5	-7.5
Inventories	-0.8	-0.9	-4.7	-2.8	0.0	0.0	4.6	-1.7	2.9	-2.0	1.3	-0.9	-2.9	-4.5	-5.4
Deferred Income Taxes	4.2	1.4	1.5	7.5	0.0	0.0			0.0					0.0	0.0
Other Current Liabilities	2.6	3.0	6.0	16.1	0.0	0.0	0.2	0.2	0.5	0.2	0.2	0.2	0.2	0.9	1.0
Other Noncash Items-net	-0.5	0.7	-1.1	0.0	1.0	2.7			3.7					0.0	0.0
Changes in Assets and Liabilities (AP in 2004+)	0.0	0.0	0.0	0.0	-8.2	-0.4									
Cash Flow from Operating Activities	47.3	37.5	45.6	69.2	8.1	18.7	19.7	12.1	55.4	18.3	23.8	18.7	17.5	78.3	86.4
Property, Plant, and Equipment Acquired	-47.7	-45.2	-37.7	-60.8	-16.5	-12.3	-14.2	-14.2	-57.2	-11.0	-11.0	-11.0	-11.0	-44.0	-44.0
Proceeds from Sales of Assets	0.3	31.3	2.4	2.0	0.0	0.0			0.0					0.0	0.0
Payments for Acquisitions-net of Cash Acquired	-3.4	-1.1	0.0	0.0	0.0	0.0			0.0					0.0	0.0
Customer Advances, Net of Repayments	-0.1	-1.5	-0.3	1.5	0.6	-0.6			0.0					0.0	0.0
Insurance Proceeds Received for Property Damage	0.0	0.0	0.0	2.2	31.8	0.0			31.8					0.0	0.0
Cash Flow from Investing Activities	-50.9	-20.8	-32.3	-57.1	16.4	-13.7	-14.2	-14.2	-25.7	-11.0	-11.0	-11.0	-11.0	-44.0	-44.0
Changes in Long-term Debt, Net	-16.2	-5.2	-0.8	-12.1	0.0	0.0			0.0					0.0	0.0
Borrowings/payments of Other Notes Payable, Net	-23.5	1.7	-3.5	3.4	-4.6	1.2			-3.4					0.0	0.0
Net Borrowings/payments Under Revolving Credit Ag	70.0	-2.4	-10.4	5.4	-18.9	5.3			-13.6					0.0	0.0
Purchase/sale of Common Stock, Net	1.5	0.7	3.3	3.0	4.8	5.4			10.2					0.0	0.0
Dividends Paid	-9.8	-10.5	-11.1	-11.8	-3.1	-3.1	-3.1	-3.1	-12.4	-3.1	-3.1	-3.1	-3.1	-12.4	-12.4
Cash Flow from Financing Activities	11.2	-15.8	-33.0	-12.1	-21.8	8.4	-3.1	-3.1	-19.6	-3.1	-3.1	-3.1	-3.1	-12.4	-12.4
Other Adjustments															
Net Cash Provided By (Used In) Discontinued Operat	-8.3	0.6	8.2	0.0	0.0	0.0			0.1					0.0	0.0
FX Effect on Cash and Cash Equivalents	-1.9	-2.1	2.5	4.6	0.1	-1.1	1.0	0.1	0.1					0.0	0.0
Cash Flow Net Changes in Cash	-2.6	-0.6	-9.0	4.6	2.8	12.3	3.4	-5.1	10.2	4.2	9.7	4.6	3.4	21.9	30.0
Cash at beginning of Period	45.3	42.7	42.1	33.1	37.7	40.5	52.8	56.2	37.7	47.9	52.1	61.8	66.4	47.9	69.8
Cash at end of Period	42.7	42.1	33.1	37.7	40.5	52.8	56.2	51.1	47.9	52.1	61.8	66.4	69.8	69.8	99.8

Source: Company Data and CJS Securities Estimates

IMPORTANT DISCLOSURES

Valuation Methodology: P/E/G, EV/EBITDA

Investment Risks: Uncertainty regarding divestiture of drug delivery business.

CJS Securities, Inc. Equity Research rating system

Market Outperform (MO): a stock that should perform at least 15% better than the Russell 2000 index over the next 6-18 months

Market Perform (MP): a stock that should perform in line with or slightly better than the Russell 2000 index

Market Under-Perform (MU): a stock expected to under-perform the Russell 2000 index

We will continue to have some stocks on a Monitor List, where we are indicating to clients not to expect a similar level of research coverage as companies on our active coverage list. Hence, we do not have investment opinions, nor do we intend to publish estimates, on Monitor list names.

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