

Shire to Acquire NPS Pharma Conference call Transcript

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Speakers:

Flemming Ornskov, MD, MPH
CEO, Shire plc

Francois Nader, MD, MBA
CEO, NPS Pharmaceuticals, Inc.

Company Participants

- Flemming Ornskov, Shire
- Francois Nader, NPS Pharma
- Jeff Poulton, Shire
- Philip Vickers, Shire
- Roger Adsett, Shire
- Mark Enyedy, Shire

QA Participants

- Peter Verdult, Citi
- David Steinberg, Jefferies
- Nicolas Guyon-Gellin, Morgan Stanley
- Mark Clark, Deutsche Banks
- Ken Cacciatore, Cowen
- Jason Gerberry, Leerink Partners
- James Gordon, JP Morgan
- Keyur Parekh, Goldman Sachs

Presentation

Flemming Ornskov

Thank you very much. Good morning / Good afternoon everyone.

We are delighted to have this opportunity to speak to you today to announce Shire's acquisition of NPS Pharma.

At the outset I would like to remind everyone that we will make forward-looking statements on the call today, either in our prepared remarks or in the associated question and answer session. These statements are based on current expectations or beliefs and are subject to certain risks and uncertainties that may cause actual results to differ materially. Certain of such risks and uncertainties are described in, and we suggest listeners review, today's press release and Shire's and NPS Pharmaceutical's respective quarterly and annual filings with the SEC. We also urge you to read both the tender offer statement that will be filed by Shire with the SEC and the Solicitation/Recommendation Statement that will be filed by NPS Pharmaceuticals with the SEC when they become available because they will contain important information, including the terms and conditions of the tender offer.

- *So please turn to slide 3.* Today we are recognized as a leader in the treatment of rare diseases, and we are focused on expanding our leadership.

The acquisition of NPS Pharma represents yet another significant step in this direction.

NPS Pharma provides Shire two key products that will allow us to further expand our rare disease portfolio.

NPS Pharma's innovative GI and endocrine medicines will benefit from our GI and rare disease expertise and infrastructure. We will deliver NPS Pharma's products to even more patients globally and accelerate their growth.

From a financial point of view, the transaction will enhance Shire's short and long term growth profile. Later in the presentation we will provide you the key financial details of the acquisition.

- *Please let's now turn to slide 4.* NPS Pharma is a company focused on developing and commercializing innovative first-in or best-in-class therapies for rare diseases.

NPS Pharma's acquisition of Allelix Pharmaceuticals in 1999 included the assets key to the company's current success – that is investigational medicines for the treatment of short bowel syndrome and hypoparathyroidism. These assets led to the development of GATTEX[®] and NATPARA[®], or REVESTIVE[®] and NATPAR[®] per their brand names in the US and rest of world respectively. We will talk more about these medicines later today.

- *Please now turn to slide 5.* As you know, it is an exciting time to be part of Shire:

We have a diversified and durable in-line portfolio that has delivered 6 straight quarters of double-digit product sales growth through the third quarter of 2014; and we expect these products and their pipeline extensions to deliver product sales of \$7 billion by 2020.

We also have a balanced pipeline across various stages of development with multiple upcoming milestones (e.g., BED, Lifitegrast, ROP,) that we expect will support long-term growth and deliver \$3 billion by 2020.

Finally NPS Pharma's contribution will provide Shire with an additional upside potential beyond our 2020 goals. This is true also for the already closed Lumena and Fibrotech acquisitions.

These are examples of how our GI and rare disease expertise and significant cash generation create opportunities for us to become the industry's go-to-partner and continue to exceed our financial expectations.

The NPS Pharma acquisition is well aligned with our strategy, we will reinforce our GI core business, grow NPS Pharma's portfolio through commercial excellence and our GI and rare disease expertise.

■ *Please now turn to slide 6.* As you have heard from us before, we see a huge opportunity in the rare disease space, and we are thoughtfully focusing our organization in this manner, from our BD efforts to our pipeline, in order to realize this opportunity.

I like to think of it as a triangle with our Rare Diseases business unit at the center, supported by the strength of our specialty business units. Through this combination we get the best of two worlds – the future long-term growth and opportunities of Rare Diseases by adding two innovative products, GATTEX and NATPARA, -- and the benefits from the commercial excellence of our GI and internal medicine business unit.

■ *Now, please turn to slide 7.* For those who are not familiar with the disease, SBS is a rare GI condition resulting from a significant resection of the small intestine, which prevents the body from absorbing enough nutrients, fluids and electrolytes to sustain life, leading to serious life-threatening complications.

GATTEX is the first and only analog of so called GLP-2, glucagon-like peptide-2, that, by stimulating intestinal lining growth, is proven to increase absorption by the remaining bowel and decrease or eliminate the need for parenteral support. It will significantly improve the lives of patients that are currently on parenteral support.

We will bring GATTEX to even more patients in the U.S. and we will significantly and effectively leverage our footprint and expertise to introduce GATTEX, under the brand name REVESTIVE, around the globe.

■ *Please turn to slide 8.* NATPARA is a product in registration in the U.S. and EU, and it represents a significant improvement vs. current treatment options for hypoparathyroidism (HPT).

HPT is a condition where the parathyroid glands fail to produce sufficient levels of parathyroid hormone, resulting in low calcium levels that can lead to severe health problems.

Today the only treatment available is high-dose oral calcium and Vitamin D, which comes with very high pill burden (up to 20 pills per day), it also comes with high urinary calcium excretion and related risk of kidney failure in the long term.

NATPARA is the first recombinant 84-amino acid PTH that has shown clinically meaningful efficacy in maintaining serum calcium in target levels and decreasing significantly the need for calcium and vitamin D supplements.

■ *Now, please turn to slide 9.* These are two exciting, promising products that we are confident we can bring value to.

We bring first and foremost our rare disease and GI expertise: these are some of the areas where we are among the very best-in-class, thanks to our #2 rated GI sales force in the U.S. and our market leading position in rare diseases.

We also bring the scale and quality of our commercial infrastructure: our international footprint has the people and the skills to bring these products to more patients outside of the US. Finally, we will reach more patients more effectively through our best in class patient services capabilities.

■ *Now kindly turn to slide 10.* The integration will create value through 5 key value drivers, all of which are closely related to the capabilities Shire brings to the acquisition:

- Extend rare disease model to GI franchise, by pairing innovative products with best-in-class patient services and support
- Accelerate the growth of GATTEX in the U.S. by leveraging Shire's #2 ranked GI sales force and rare disease commercial expertise

- Efficiently launch REVESTIVE outside the U.S. through Shire's extensive international commercial infrastructure
- Maximize value of NATPARA if approved through Shire's proven development and launch capabilities
- Realize cost synergies by integrating NPS Pharma into Shire's organization, leveraging previous experience with similar acquisitions

Our experience with Viropharma integrating Cinryze into our portfolio and subsequently accelerating its growth while quickly capturing cost synergies makes us confident that we can achieve these objectives. We believe our team is ready to efficiently and successfully integrate the NPS portfolio, and we look forward to planning the integration.

We believe the two companies have highly complementary business models that will make it easy for employees to work together. While redundancies will exist, the transaction is clearly focused on growth, and we believe both parties bring key talent but also capabilities.

■ *Please now turn to slide 11.* Here we have a summary of the transaction details:

We will acquire all the outstanding shares of NPS Pharma at \$46.00 per share in cash, that represents a 51% premium to NPS Pharma's unaffected share price of \$30.47 on December 16, 2014; or approximately a total consideration of \$5.2 billion

We expect the acquisition to enhance revenue growth from 2015 onward and accretive to earnings from 2016 onward

We will fund the acquisition using cash on hand, our existing \$2.1 billion committed bank facility, and a newly arranged \$850 million short term bank facility. This transaction is not subject to any financing contingency

Closing is expected in Q1 of 2015.

We expect synergies of approximately 25-35% of the Street's consensus forecast of NPS Pharma's standalone future operating cost base from 2017 onward, which will be realized beginning in 2016 and growing substantially thereafter.

Now I'd like to turn the call over to Francois, before I do, I'd like to acknowledge the great business he and the team at NPS have built. There's no one better positioned to tell you about the important medicines that NPS makes that helps transform the lives of patients and all of us at Shire share that same passion for helping patients.

Francois, thanks for joining us today. I'll turn it over to you for a few remarks.

Francois Nader

■ Thank you, Flemming.

As you said, Shire shares NPS Pharma's passion for developing solutions for rare diseases and I am confident that our combination will accelerate NPS Pharma's vision of creating a world where every person living with a rare disease has a therapy.

Since we turned around NPS early 2008, we have been pursuing two objectives: first bring Gattex/Revestive and Natpara to patients and second build value for our shareholders. I am happy to report that we have accomplished these two objectives:

- We have created significant value for patients with rare diseases by: Delivering Gattex/Revestive to patients with Short Bowel Syndrome; and Advancing Natpara in Hypoparathyroidism, which has an FDA PDUFA of January 24 and in addition we have Initiated the clinical development of NPSP795 for patients with Autosomal Dominant Hypocalcemia.

- Second, we have created significant value for our shareholders. Since March 2008, our stock price has increased from less than four dollars per share to our announced deal price of \$46 dollars per share and our market cap has increased from less than \$180 million to over \$5 billion.

I am confident that by bringing our two companies together, we will be creating significant value for patients. By leveraging our joint resources, that Flemming eluded to we will ensure that GATTEX/REVESTIVE and NATPARA, if approved, continue to transform the lives of patients with Short Bowel Syndrome and Hypoparathyroidism worldwide, and that NPSP795 continues to advance for patients with Autosomal Dominant Hypocalcemia.

I would like to take this opportunity to thank our board of director, our executive team and all NPS Pharma employees for their outstanding contributions and steadfast commitment to our company and, more importantly, to the patients we serve.

Flemming Ornskov

- *Thank you, Francois, as summary let's turn to slide 13.* The acquisition of NPS Pharma represents a further step in building a leading Biotech. Our infrastructure will accelerate the growth of NPS Pharma's products and reach even more patients globally. With that we now, start our Q&A session and with me today to help answer your questions are:
 - Jeff Poulton, Interim Chief Financial Officer
 - Mark Enyedy, Head of Corporate Development and Interim General Counsel
 - Roger Adsett, Senior Vice President, GI Business Unit Leader
 - Phil Vickers, who's our Head of R&D

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