

## U.S. Specialty Pharmaceuticals

### Valeant Rx Tracker

#### Equities

Americas  
Pharmaceuticals

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#### Issuing June edition of Rx tracker for Valeant's US products

We include IMS TRx-based driven product sales models for Valeant's US business segments (Dermatology, Neurology/Other, and Ophthalmology – mostly Bausch and Lomb's products). We drive our US Valeant model assumptions from these IMS models.

#### April 2014 TRx growth: Derm (-24% Y/Y), Neuro/Other (-19%) & Ophth (+27%)

In calculating the Derm, Neuro/Other, and Ophthalmology TRx growth, we only include products for which we track using IMS TRx data. The Dermatology products generally had declining Y/Y growth in April, but Luzu is off to a solid start with 1,185 TRxs in the first month of launch. We look to the launch of Jublia in 3Q to help offset the declining growth in the category. In Neurology, while TRx Y/Y growth was down (Lodosyn went generic), sequential growth was flat – which is an encouraging trend towards stabilization. We note that Xenazine had robust Y/Y growth (+33%) as well as good sequential growth (+3%) and Wellbutrin XL (genericized) continues to show signs of stabilization on a sequential basis. In Ophthalmology, Lotemax gel had >70% of the franchise which grew 5%. We note that the last Alrex patent expires in April 2014, and we previously modeled genericization in May but pushed this to June as there was no generic approval in May.

#### Changes to our estimates

There were no material changes to our sales estimates.

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Figure 1: Valeant Dermatology Products – 2013 – 2015E Monthly

	2013	Jan-14	Feb-14	Mar-14	Apr-14	May-14E	Jun-14E	Jul-14E	Aug-14E	Sep-14E	Oct-14E	Nov-14E	Dec-14E	2014E	2015E
<b>Zovirax Cream</b>															
TRxs	338,373	26,702	22,939	23,730	22,327	22,838	20,812	21,779	21,710	21,007	23,147	22,458	25,268	274,717	263,728
Growth Rate	-16.1%	-25.1%	-26.2%	-25.8%	-23.2%	-15.0%	-15.0%	-15.0%	-15.0%	-15.0%	-15.0%	-15.0%	-15.0%	-18.8%	-4.0%
<b>Zovirax Cream</b>															
TRxs	338,373			Inventory Stocking: \$6.2											
Sales	\$51.6			73,371			65,977			64,495			70,873	274,717	263,728
Price/Rx	\$210.75			\$22.4			\$15.2			\$14.8			\$16.3	\$68.7	\$63.4
Pricing Growth Rate				\$220.24			\$230.15			\$230.15			\$230.15	\$227.50	\$240.27
% Price Change				4.5%			9.2%			9.2%			9.2%	7.9%	5.6%
				Price Increase (1/7/2014): 9.0%											
				Price Increase (4/1/2014): 9.0%											
<b>Zovirax Ointment TRxs</b>															
Total Zovirax Ointment TRxs	517,081	48,922	43,235	46,190	44,207	45,505	43,163	46,045	47,304	45,627	51,425	51,229	57,160	570,013	598,513
Growth	-4.3%	6.7%	10.7%	15.4%	10.8%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.2%	5.0%
<b>Market Share</b>															
Zovirax Ointment - Valeant	36.4%	6.4%	6.3%	5.2%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%	4.9%	4.6%
Generic - Mylan	34.6%	54.9%	54.4%	55.4%	56.6%	55.6%	55.6%	55.6%	55.6%	55.6%	55.6%	55.6%	55.6%	55.5%	55.6%
Generic - AG	28.9%	38.7%	39.4%	39.3%	38.6%	37.6%	37.6%	37.6%	37.6%	37.6%	37.6%	37.6%	37.6%	38.0%	37.6%
Generic - Others	0.0%	0.0%	0.0%	0.0%	0.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	1.5%	2.2%
Total Zovirax Ointment Share	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
<b>Valeant - Zovirax Ointment</b>															
TRxs	188,344			8,273			6,072			6,350			7,303	27,998	27,349
Sales	\$44.6			\$2.7			\$2.1			\$2.2			\$2.5	\$9.4	\$9.7
Price/Rx	\$310.49			\$324.46			\$339.06			\$339.06			\$339.06	\$334.75	\$354.47
Pricing Growth Rate	5.2%			4.5%			9.2%			9.2%			9.2%	7.8%	5.9%
% Price Change				Price Increase (1/7/2014): 9.0%											
				Price Increase (4/1/2014): 9.0%											
<b>Valeant - Zovirax Ointment AG</b>															
TRxs	149,672			54,121			50,403			52,255			60,091	216,870	225,042
Sales	\$23.6			\$5.7			\$5.3			\$5.5			\$6.3	\$22.9	\$21.4
Price/Rx	\$124.20			\$105.57			\$105.57			\$105.57			\$105.57	\$105.57	\$95.01
Pricing Growth Rate	NM			NM			-15.0%			-15.0%			-15.0%	-15.0%	-10.0%
% Price Change				Price Decrease: -15.0%											
<b>Valeant - Zovirax Cream/Ointment Total</b>															
Sales	\$120.0			\$25.0			\$17.2			\$17.0			\$18.8	\$78.0	\$73.1
Sales Growth Rate	-51.0%													-35.0%	-6.4%

Source: Company reports, IMS database and UBS estimates

Figure 2: Valeant Dermatology Products – 2013-2015E Monthly Continued

	2013	Jan-14	Feb-14	Mar-14	Apr-14	May-14E	Jun-14E	Jul-14E	Aug-14E	Sep-14E	Oct-14E	Nov-14E	Dec-14E	2014E	2015E
<b>Solodyn</b>															
TRXS	559,623	39,790	34,163	34,664	33,575	34,538	31,909	32,829	32,615	30,181	32,794	29,832	30,762	397,651	364,729
Growth Rate	-34.6%	-26.9%	-26.5%	-29.8%	-30.6%	-28.9%	-30.2%	-31.1%	-33.1%	-29.0%	-28.8%	-26.1%	-25.7%	-28.9%	-8.3%
				1Q14A			2Q14E			3Q14E			4Q14E	2014E	2015E
<b>Solodyn</b>															
TRXS	559,623	108,617	108,617	108,617	100,021	100,021	95,625	93,388	95,625	95,625	93,388	93,388	93,388	397,651	364,729
Sales	\$208.0	\$50.0	\$50.0	\$50.0	\$46.0	\$46.0	\$44.0	\$45.1	\$44.0	\$46.0	\$45.1	\$45.1	\$45.1	\$185.2	\$185.2
Price/Rx	\$381.15	\$460.33	\$460.33	\$460.33	\$460.33	\$460.33	\$460.33	\$463.35	\$460.33	\$460.33	\$463.35	\$463.35	\$463.35	\$463.35	\$507.82
Pricing Growth Rate	19.2%	25.8%	25.8%	25.8%	25.6%	25.6%	25.3%	25.3%	25.3%	25.3%	25.3%	25.3%	25.3%	22.2%	9.0%
% Price Change				9.0%											10.0%
<b>Targretin</b>															
TRXS	8,154	667	652	615	722	685	674	737	684	630	742	724	752	8,284	7,870
Growth Rate	-2.7%	3.7%	10.5%	-4.9%	11.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.6%	-5.0%
				1Q14A			2Q14E			3Q14E			4Q14E	2014E	2015E
<b>Targretin</b>															
TRXS	8,154	Inventory Stocking: \$1.7	1,934	1,934	2,081	2,081	2,051	2,218	2,051	2,051	2,218	2,218	2,218	8,284	7,870
Sales	\$63.0	\$20.0	\$20.0	\$20.0	\$19.7	\$19.7	\$19.4	\$21.0	\$19.4	\$19.4	\$21.0	\$21.0	\$21.0	\$80.1	\$74.5
Price/Rx	\$7,726.27	\$9,462.25	\$9,462.25	\$9,462.25	\$9,462.25	\$9,462.25	\$9,462.25	\$9,462.25	\$9,462.25	\$9,462.25	\$9,462.25	\$9,462.25	\$9,462.25	\$9,462.25	\$9,462.25
Pricing Growth Rate		11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	29.4%	29.4%	29.4%	29.4%	29.4%	29.4%	22.5%	0.0%
% Price Change				10.0%											
<b>Elidel</b>															
TRXS	414,732	34,640	31,308	34,325	34,515	35,276	33,356	34,767	36,586	33,213	36,435	34,476	35,397	414,294	406,008
Growth Rate	0.2%	-0.6%	-0.5%	0.4%	-0.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.1%	-2.0%
				1Q14A			2Q14E			3Q14E			4Q14E	2014E	2015E
<b>Elidel</b>															
TRXS	414,732	Inventory Stocking: \$3.2	100,273	100,273	103,147	103,147	104,566	106,308	104,566	104,566	106,308	106,308	106,308	414,294	406,008
Sales	\$66.0	\$20.0	\$20.0	\$20.0	\$17.5	\$17.5	\$18.6	\$18.9	\$18.6	\$18.6	\$18.9	\$18.9	\$18.9	\$75.0	\$77.1
Price/Rx	\$162.76	\$167.54	\$167.54	\$167.54	\$170.00	\$170.00	\$177.65	\$177.65	\$177.65	\$177.65	\$177.65	\$177.65	\$177.65	\$173.30	\$189.90
Pricing Growth Rate	1.3%	5.2%	5.2%	5.2%	3.3%	3.3%	9.3%	9.3%	9.3%	9.3%	9.3%	9.3%	9.3%	6.5%	9.6%
% Price Change				6.0%											
<b>Ziana</b>															
TRXS	255,573	19,115	15,720	16,516	15,954	17,034	16,415	17,761	19,282	16,818	18,508	16,674	17,150	206,947	210,258
Growth Rate	-22.7%	-27.6%	-25.8%	-26.1%	-24.7%	-18.0%	-18.9%	-17.6%	-20.5%	-9.9%	-10.2%	-10.2%	-13.4%	-19.0%	1.6%
				1Q14A			2Q14E			3Q14E			4Q14E	2014E	2015E
<b>Ziana</b>															
TRXS	255,573	Inventory Stocking: \$3.7	51,351	51,351	49,403	49,403	53,862	52,331	53,862	53,862	52,331	52,331	52,331	206,947	210,258
Sales	\$71.0	\$20.0	\$20.0	\$20.0	\$15.7	\$15.7	\$17.8	\$17.3	\$17.8	\$17.8	\$17.3	\$17.3	\$17.3	\$70.7	\$75.0
Price/Rx	\$266.07	\$317.42	\$317.42	\$317.42	\$317.42	\$317.42	\$330.12	\$330.12	\$330.12	\$330.12	\$330.12	\$330.12	\$330.12	\$323.94	\$356.53
Pricing Growth Rate	25.3%	30.5%	30.5%	30.5%	9.7%	9.7%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	21.7%	10.1%
% Price Change				15.0%											

Source: Company reports, IMS database and UBS estimates

Figure 3: Valeant Dermatology Products – 2013-2015E Monthly Continued

	2013	Jan-14	Feb-14	Mar-14	Apr-14	May-14E	Jun-14E	Jul-14E	Aug-14E	Sep-14E	Oct-14E	Nov-14E	Dec-14E	2014E	2015E		
<b>Carac</b>																	
TRXS	171,130	16,095	12,686	12,159	10,951	10,303	9,089	8,953	9,931	11,737	15,776	13,909	13,213	144,813	130,332		
Growth Rate	-9.0%	-15.0%	-16.4%	-13.9%	-19.4%	-15.0%	-15.0%	-15.0%	-15.0%	-15.0%	-15.0%	-15.0%	-15.0%	-15.4%	-10.0%		
	2013	1Q14E												2014E	2015E		
TRXS	171,130	Inventory Stocking: \$4.5												144,813	130,332		
Sales	\$40.0	40,940												\$65.2	\$59.7		
Price/Rx	\$315.90	\$20.0												\$419.34	\$457.78		
Pricing Growth Rate	28.0%	37.8%												36.1%	32.7%		
% Price Change		29.0%												29.0%	30.0%		
		Price Increase (1/31/2014):												Price Increase (4/1/2014):			
<b>Retin-A Micro</b>																	
TRXS	223,232	6,106	5,042	5,386	5,128	4,926	4,444	4,480	4,508	3,622	3,644	2,975	2,743	53,004	11,234		
Growth Rate	-59.0%	-86.3%	-86.0%	-86.1%	-72.3%	-67.1%	-65.6%	-64.7%	-63.1%	-59.7%	-57.7%	-60.5%	-63.2%	-76.3%	-78.8%		
	2013	2Q14E												2014E	2015E		
TRXS	223,232	Inventory Stocking: \$3.5												53,004	11,234		
Sales	\$89.0	16,534												\$25.3	\$5.4		
Price/Rx	\$349.86	\$393.13												\$427.25	\$477.46		
Pricing Growth Rate	67.3%	23.1%												11.4%	12.0%		
% Price Change		9.0%												9.0%	9.0%		
		Price Increase (1/7/2014):												Price Increase (4/15/2014):			
<b>Retin-A Micro (AG sales)</b>																	
TRXS	206,811	16,953	13,632	14,519	13,670	14,266	14,411	15,956	19,021	15,757	16,773	13,605	13,466	182,028	171,107		
Growth Rate	NM	NM	NM	NM	-18.9%	-35.0%	-35.0%	-35.0%	-35.0%	-35.0%	-35.0%	-35.0%	-35.0%	-12.0%	-6.0%		
	2013	2Q14E												2014E	2015E		
TRXS	206,811	45,104												182,028	171,107		
Sales	\$44.7	\$8.5												\$34.1	\$30.5		
Price/Rx	\$191.68	\$187.38												\$187.38	\$178.01		
Pricing Growth Rate	NM	-2.2%												-2.2%	-5.0%		
Total Retin-A Micro	\$133.7	\$18.5												\$14.9	\$12.2	\$59.4	\$35.8
<b>Acanya</b>																	
TRXS	426,290	34,153	27,170	29,528	27,767	27,163	25,844	27,249	29,179	24,614	26,795	24,023	24,564	328,050	269,430		
Growth Rate	7.6%	-7.4%	-11.7%	-14.4%	-19.3%	-18.1%	-24.8%	-26.1%	-30.7%	-27.1%	-28.5%	-29.8%	-34.9%	-23.0%	-17.9%		
	2013	1Q14E												2014E	2015E		
TRXS	426,290	90,851												328,050	269,430		
Sales	\$61.0	\$16.0												\$54.7	\$51.5		
Price/Rx	\$150.60	\$154.10												\$166.81	\$191.23		
Pricing Growth Rate	7.5%	5.0%												8.2%	14.6%		
% Price Change		9.0%												9.0%	9.0%		
		Price Increase (1/7/2014):												Price Increase (1/7/2014):			

Source: Company reports, IMS database and UBS estimates

Figure 4: Valeant Dermatology Products – 2013-2015E Monthly Continued

	2013	Jan-14	Feb-14	Mar-14	Apr-14	May-14E	Jun-14E	Jul-14E	Aug-14E	Sep-14E	Oct-14E	Nov-14E	Dec-14E	2014E	2015E
<b>Benzaclin</b>															
TRxs	234,581	18,143	16,207	18,372	16,853	15,582	13,705	16,484	22,751	18,766	15,897	15,785	16,226	204,771	174,055
Growth Rate	-42.9%	-15.5%	-7.8%	-0.6%	-6.4%	-15.0%	-15.0%	-15.0%	-15.0%	-15.0%	-15.0%	-15.0%	-15.0%	-12.7%	-15.0%
				1Q14A			2Q14E			3Q14E			4Q14E		2015E
Inventory Destocking:				-\$3.2			46,140			58,001			47,908		174,055
TRxs	234,581			52,722			\$7.2			\$9.5			\$7.8		\$30.6
Sales	\$18.0			\$5.0			\$155.53			\$163.31			\$159.55		\$175.91
Price/Rx	\$116.38			1.7%			1.7%			6.7%			8.3%		10.3%
Pricing Growth Rate	-16.5%														
% Price Change				9.0%						10.0%					

	2013	Jan-14	Feb-14	Mar-14	Apr-14	May-14E	Jun-14E	Jul-14E	Aug-14E	Sep-14E	Oct-14E	Nov-14E	Dec-14E	2014E	2015E
<b>Zyclara Franchise</b>															
TRxs	72,148	4,746	4,274	4,580	4,347	4,271	3,830	3,889	4,086	3,716	4,276	3,740	3,499	49,255	34,478
Growth Rate	-34.5%	-39.7%	-34.5%	-29.9%	-33.0%	-30.0%	-30.0%	-30.0%	-30.0%	-30.0%	-30.0%	-30.0%	-30.0%	-31.7%	-30.0%
				1Q14A			2Q14E			3Q14E			4Q14E		2015E
Inventory Stocking:				\$1.4			12,449			11,690			11,516		34,478
TRxs	72,148			13,600			\$6.0			\$5.7			\$5.6		\$18.0
Sales	\$34.0			\$485.29			\$485.29			\$485.29			\$485.29		\$521.69
Price/Rx	\$468.62			2.2%			2.3%			3.0%			7.3%		7.5%
Pricing Growth Rate	6.2%														
% Price Change				15.0%											

	2013	Jan-14	Feb-14	Mar-14	Apr-14	May-14E	Jun-14E	Jul-14E	Aug-14E	Sep-14E	Oct-14E	Nov-14E	Dec-14E	2014E	2015E
<b>Atralin</b>															
TRxs	217,102	16,613	13,477	14,957	13,349	12,838	11,998	12,414	13,033	10,767	11,465	10,042	10,017	150,971	85,362
Growth Rate	-16.1%	-23.3%	-25.3%	-24.4%	-32.2%	-26.0%	-28.8%	-29.1%	-32.6%	-31.4%	-34.7%	-38.0%	-42.5%	-30.5%	-43.5%
				1Q14A			2Q14E			3Q14E			4Q14E		2015E
TRxs	217,102			45,047			38,185			36,215			31,524		85,362
Sales	\$25.0			\$5.2			\$4.4			\$4.4			\$3.8		\$11.1
Price/Rx	\$95.81			\$115.57			\$115.57			\$121.35			\$121.35		\$130.12
Pricing Growth Rate	-3.3%			14.6%			7.4%			10.9%			12.9%		10.1%
% Price Change				15.0%						10.0%					

	2013	Jan-14	Feb-14	Mar-14	Apr-14	May-14E	Jun-14E	Jul-14E	Aug-14E	Sep-14E	Oct-14E	Nov-14E	Dec-14E	2014E	2015E
<b>Luzu</b>															
TRxs		0	0	11	1,185	1,122	2,136	3,492	4,416	4,962	6,288	7,828	8,675	40,116	146,409
Growth Rate		NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	265.0%
				1Q14A			2Q14E			3Q14E			4Q14E		2015E
Inventory Stocking:				\$5.0			4,443			12,870			22,792		146,409
TRxs				11			\$6.4			\$3.9			\$6.9		\$46.3
Sales				\$304.00			\$304.00			\$304.00			\$304.00		\$316.12
Price/Rx															\$304.00
Pricing Growth Rate															4.0%

Source: Company reports, IMS database and UBS estimates

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