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Allergan Plc (AGN) Brenton L. Saunders on Q3 2015 Results - Earnings Call Transcript

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by: SA Transcripts

Q3: 11-01-15 Earnings Summary



10-Q



Analysis



News

EPS of \$3.48 beats by \$0.29 | Revenue of \$4.09B (+ 90.2% Y/Y) beats by \$60M

Allergan Plc (NYSE:AGN)

Q3 2015 Earnings Call

November 04, 2015 9:00 am ET

Executives

Lisa M. DeFrancesco - Vice President, Investor Relations

Brenton L. Saunders - Chief Executive Officer and President

Maria Teresa Hilado - Chief Financial Officer

William J. Meury - Executive Vice President and President, Branded Pharma

Philippe Schaison - Executive Vice President and President, Allergan Medical

C. David Nicholson - Executive Vice President, Brand Research & Development

Paul Navarre - Executive Vice President and President, International Brands

Analysts

Christopher Thomas Schott - JPMorgan Securities LLC

Jason M. Gerberry - Leerink Partners LLC

Randall S. Stanicky - RBC Capital Markets LLC

EXHIBIT 1104

Marc Goodman - UBS Securities LLC

Liav Abraham - Citigroup Global Markets, Inc. (Broker)

Gregg Gilbert - Deutsche Bank Securities, Inc.

Irina Rivkind Koffler - Mizuho Securities USA, Inc.

David R. Risinger - Morgan Stanley & Co. LLC

Ronny Gal - Sanford C. Bernstein & Co. LLC

Douglas D. Tsao - Barclays Capital, Inc.

Ariel G. Herman - Goldman Sachs & Co.

Umer Raffat - Evercore ISI

Sumant S. Kulkarni - Bank of America Merrill Lynch

Tim Chiang - BTIG LLC

Operator

Good morning. My name is Nan, and I will be your conference operator today. At this time, I would like to welcome everyone to the Allergan Third Quarter Earnings Call. Thank you. I would now like to turn the conference over to Lisa DeFrancesco, Vice President, Investor Relations. Please go ahead.

Lisa M. DeFrancesco - Vice President, Investor Relations

Thank you, Nan, and good morning everyone. I'd like to welcome you to the Allergan third quarter 2015 earnings conference call. Earlier this morning we issued a press release reporting Allergan earnings from continuing operations for the third quarter ended September 30, 2015. The press release and our slide deck, which we are presenting this morning, are available on our corporate website at www.allergan.com. We're conducting a live webcast of this call, a replay of which will be available on our website after its conclusion. Please note that today's call is copyright material of Allergan and cannot be rebroadcast without the company's expressed written consent.

Turing to slide 2, I'd also like to remind you that during the course of this call, management will make projections or other forward-looking remarks regarding future events or the future financial performance of the company. It's important to note that such statements and events are forward-looking statements and reflect our current perspective of business trends and information as of today's date.

Actual results may differ materially from current expectations and projections depending on the number of factors affecting the Allergan business. These factors are detailed in our public periodic filings with the Securities and Exchange Commission. Allergan disclaims any intent or obligation to update these forward-looking statements, except as expressly required by law.

At this time, as a result of the press release Allergan issued on October 29, 2015, confirming the company has been approached by Pfizer and is in preliminary friendly discussions regarding a potential business combination transaction, the company will not be issuing any financial forecasts that could require additional reporting under Rule 28 of the Irish takeover rules.

With us on today's call are Brent Saunders, our CEO and President, who will provide an overview of our third quarter continuing operations business highlights, and Tessa Hilado, our Chief Financial Officer, will then discuss the Allergan third quarter continuing operations results in more detail.

Also on the call and available during the Q&A are Paul Bisaro, our Executive Chairman; Bob Stewart, President of Global Generics and Commercial Operations; Bill Meury, President of Branded Pharma; David Nicholson, Executive Vice President and President of Global Brands R&D; Paul Navarre, President of International Brands; Philippe Schaison, President of Allergan Medical, and Bob Bailey, our Chief Legal Officer.

With that, I will turn the call over to Brent.

Brenton L. Saunders - Chief Executive Officer and President

Thank, Lisa, and good morning, everyone. It's great to be with you to review our results for the third quarter of 2015. We're obviously been very busy on many fronts and our teams continue to build on the momentum we have had all year. This momentum will propel our future growth.

Turning to slide 5. Allergan's third quarter performance illustrates that we continue to execute on the four pillars of our growth strategy. First, operational excellence is yielding exceptional financial performance and strong results in continuing operations, key products and key geographies. Second, therapeutic area leadership is leading to double-digit growth among many of our franchises. Third, our productive and innovative R&D engine continues to produce. Our team is looking forward to showcasing our R&D pipeline, the success we've had this year and the depth of our pipeline across all seven therapeutic areas later today at R&D day. And we are executing on strategic business deals including our Teva transaction earlier in the quarter, to allow us to focus on growing our business.

With the announcement of our plans to combine our global generics business with Teva in a deal worth approximately \$40.5 billion, we are now reporting our Generics business as discontinued operations. Although the business results are consolidated into a single line in the income statement, our Global Generics team continues to perform well.

I'm impressed with the continued momentum in the business and proud of the performance of this team. For example, the Generics R&D team has submitted 25 new ANDAs in the US this year, with 16 of them potential first-to-files. This team is the gem of the generics industry, and they are on track to submit approximately 35 applications by year end.

Outside the US, we filed over a thousand marketing authorizations in critical markets. This year, we have received approval and launched over 25 products in the US, and these new launches are adding to our results. Internationally, the teams in the UK, Russia and other Eastern European markets continue to deliver strong performance. The pre-integration work with Teva is going well, and we remain committed to closing the transaction during the first quarter of 2016.

This plan to divest the Global Generics business allows us to dramatically simplify our operating structure, sharpen our focus on seven core therapeutic areas and reload our capital structure to continue our transformation. We are confident that we are creating the most dynamic company in growth pharma.

Now let me turn to the continuing operations business performance in the third quarter. Our third quarter net revenue grew 90% on a year-over-year basis to \$4.1 billion as a result of the Allergan acquisition. On a pro forma basis, sales grew 10% despite the loss of exclusivity on one of our largest products, Namenda IR, which experienced generic competition in the quarter.

Strong sales in key products across our business drove 65% increase in non-GAAP earnings per share to \$3.48. Meanwhile, non-GAAP EBITDA rose to \$2 billion and cash flow from operations excluding R&D asset acquisitions, restructuring and integration payments was \$1.7 billion in the quarter.

Our business continues to drive strong performance. More than half of our products are delivering double-digit volume-driven growth. On a pro forma basis, year-over-year brand revenue increased nearly 13% excluding Namenda IR, divestitures and the impact of foreign exchange.

On slide 8, our growth in the quarter was broad-based. Excluding the impact of foreign currency, we drove double-digit growth from leading brands across key franchises such as BOTOX, Restasis, Linzess, Lo Loestrin and Saphris. We continue to solidify our leadership in key categories with new launches and approvals. Our recent launches, including AVYCAZ, DALVANCE, Namzaric, Liletta and KYBELLA, are all performing well, supported by strong promotional activities. Looking ahead, we will continue to drive growth through new approvals and upcoming launches, including VIBERZI in a few weeks and VRAYLAR in the first quarter of 2016.

In addition to progress made in our R&D pipeline, we are also strengthening therapeutic area leadership through new acquisitions of important programs. In eyecare, we continue to add shots on goal in development opportunities for dry eye disease and eyecare with the acquisition of AqueSys, Mimetogen and Oculeve. Mimetogen, which we just announced this morning, brings a novel topical formulation dry eye treatment that could potentially be used alone and in combination with other dry eye therapies. This adds a Phase III program further strengthening our dry eye pipeline, giving us the potential to launch six new products over the next five years.

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