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Allergan Plc (AGN) Brenton L. Saunders on Q2 2016 Results - Earnings Call Transcript

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Q2: 08-07-16 Earnings Summary



8-K



Slides



Analysis



News

EPS of \$3.35 beats by \$0.03 | Revenue of \$3.71B (+ 1.1% Y/Y) misses by \$-270M

Allergan Plc (NYSE:AGN)

Q2 2016 Earnings Call

August 08, 2016 8:30 am ET

Executives

Lisa M. DeFrancesco - Vice President-Investor Relations

Brenton L. Saunders - President, Chief Executive Officer & Director

William J. Meury - Chief Commercial Officer

C. David Nicholson - Chief R&D Officer

Maria Teresa Hilado - EVP & Chief Financial Officer

Analysts

Gregg Gilbert - Deutsche Bank Securities, Inc.

David R. Risinger - Morgan Stanley & Co. LLC

Vamil K. Divan - Credit Suisse Securities (NYSE:USA) LLC (Broker)

Jami Rubin - Goldman Sachs & Co.

Andrew Finkelstein - Susquehanna Financial Group LLLP

EXHIBIT 1101

Aaron Gal - Sanford C. Bernstein & Co. LLC

Sumant S. Kulkarni - Bank of America Merrill Lynch

Christopher Schott - JPMorgan Securities LLC

Marc Goodman - UBS Securities LLC

Ken Cacciatore - Cowen & Co. LLC

David Maris - Wells Fargo Securities LLC

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

Umer Raffat - Evercore Group LLC

Irina R. Koffler - Mizuho Securities USA, Inc.

Operator

Good morning. My name is Dorothy, and I will be your conference operator today. At this time, I would like to welcome everyone to the Allergan second quarter earnings conference call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session.

Thank you. I would now like to turn the conference over to Lisa DeFrancesco, Vice President of Investor Relations. Ma'am, you may begin your conference.

Lisa M. DeFrancesco - Vice President-Investor Relations

Thank you, Dorothy, and good morning, everyone. I'd like to welcome you to the Allergan second quarter 2016 earnings conference call.

Earlier this morning, we issued a press release reporting Allergan earnings from continuing operations for the quarter ended June 30, 2016. 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 copyrighted material of Allergan and cannot be rebroadcast without the company's express written consent.

Turning to slide two, 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 the business trends and information as of today's date. Actual results may differ materially from current expectations and projections depending on a number of factors affecting the Allergan business. These factors are detailed in our periodic public 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.

Turning to slide three and our agenda this morning, with us on today's call are: Brent Saunders, our CEO and President, who will provide an overview of our second quarter business highlights; Bill Meury, our Chief Commercial Officer, who will provide an overview of our commercial performance in the quarter; David Nicholson, our chief R&D officer, who will provide select highlights from our pipeline achievements in 2016 and select 2017 upcoming milestones; and Tessa Hilado, our Chief Financial Officer, who will then discuss the Allergan second quarter continuing operations results in more detail. Also on the call and available during the Q&A are: Paul Bisaro, our Executive Chairman; Rob Stewart, our Chief Operating Officer; and Bob Bailey, our Chief Legal Officer.

With that, I'll turn the call over to Brent. Brent?

Brenton L. Saunders - President, Chief Executive Officer & Director

Great, thank you, Lisa, and good morning, everyone. We had a big week last week that was highlighted by the completion of the divestiture of our Global Generics business to Teva. With its completion and announcement of our plans to sell our Anda Distribution business, Allergan has taken major steps toward our goal of being a branded Growth Pharma leader. I'm proud of the people who worked so hard for 12 months to make this divestiture a reality, but I'm even more proud that the Allergan team has remained so focused on execution during this time. You can see proof of that focus in the results we are announcing today.

Turning to slide five, 2016 has been a year of tremendous positive transition for Allergan, and we are well positioned to continue to deliver strong results, powered by our Growth Pharma model. This model is built around five key elements: top line growth, with the goal

of double-digit growth; category leadership in each of our seven therapeutic areas; customer intimacy; Open Science R&D to fuel innovation; and operational excellence. And our team is successfully executing on each of these elements.

Turning to slide six, top line sales of the branded business came in at \$3.7 billion, up more than 9% compared to prior year excluding Namenda IR, divestitures, and FX. And the performance was broad-based, with strong results from all aspects of our business. Six of our most important brands grew double digits globally excluding FX, including Botox up 16%, Restasis up 21%, Linzess up 37%, our family of fillers up 18%, Ozurdex up 33%, and Lo Loestrin up 28%. I'm very pleased and impressed with this performance.

A key attribute of our team is launch excellence, as demonstrated by the strong start for Viberzi, Vraylar, and Kybella. We are also building on our therapeutic areas and four of the seven grew by more than 50% this quarter. For example, GI was up 19%. Women's health was up 34%. Meanwhile, eye care, our largest therapeutic area, was up 10%, and medical aesthetics excluding medical dermatology was up 14%. I am very impressed with what our commercial teams continue to do every day to make Allergan the most dynamic and exciting company in our industry. Bill will talk more about the brand performance, recent launches, and our international business in just a moment.

On slide seven, strong top line performance and our continued focus on operational excellence and business simplification resulted in non-GAAP EPS of \$3.35, which now excludes the results of Anda, our distribution business.

For us, operational excellence is all about focusing on doing the little things very well to enable the organization to become more efficient, more productive, and more profitable. With the creation of Rob Stewart's role as Chief Operating Officer, we have renewed energy on harmonizing systems and processes throughout the company and making targeted investments to upgrade critical capabilities.

And our Open Science R&D model is working to drive innovation across each of our seven therapeutic areas. Just this year, our R&D team has succeeded in gaining approval for 13 major pharma and device products and nine major submissions. David will provide more details later in the presentation.

Open Science provides us with a compelling competitive strategic advantage, as evidenced by our 65-plus mid to late-stage development programs, many of which could be game-changing treatments.

Turning to capital allocation on slide eight, our reloaded balance sheet provides us with significant flexibility to deploy capital to shareholders, including investing in our share repurchase program, debt repayment, and additional investment in growth opportunities. We'll start with about \$5 billion in share repurchase program during the rest of 2016, buying as much as prudently possible in the open market. As we have said before, if favorable market conditions persist, we have the capacity to consider buying the additional \$5 billion under the \$10 billion authorization provided by our Board of Directors.

In addition to the share repurchase program, we have paid down debt, which should reinforce our investment-grade credit ratings. Tessa will provide additional detail during her presentation. Even with those plans, we've preserved capacity of more than \$20 billion to invest for growth and acquire additional steppingstone assets to keep our pipeline full and provide fuel for sustainable top line growth in our therapeutic areas. Our goal is to maximize shareholder value over the long term.

Now let me turn the call over to Bill Meury, our Chief Commercial Officer.

William J. Meury - Chief Commercial Officer

Thanks, Brent. Good morning, everyone. Turning to slide 10, we had a strong quarter, and our focus on category leadership is producing results. Overall demand for our products is strong and implementation metrics on launch plans are high, which is a credit to our sales and marketing teams domestically and internationally. Sales for six of seven therapeutic areas increased at a high single-digit or double-digit rate versus prior year in the second quarter excluding the impact of foreign exchange and divestitures.

In eye care, sales increased by 10%, powered by continued strength from Restasis and Ozurdex. Sales for Restasis increased by 21% based on strong physician and consumer promotion and widespread formulary coverage. Ozurdex continued to deliver strong results globally, with 30% growth in the United States and 34% growth in international markets, driven by its expanded diabetic macular edema label.

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