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Allergan's (AGN) CEO Brent Saunders on Q4 2015 Results - Earnings Call Transcript

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Q4: 02-12-16 Earnings Summary



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Analysis



News

EPS of \$3.41 beats by \$0.07 | Revenue of \$4.2B (+ 73.6% Y/Y) beats by \$10M

Allergan plc (NYSE:AGN)

Q4 2015 Earnings Conference Call

February 22, 2016, 08:30 ET

Executives

Lisa DeFrancesco - VP, IR

Brent Saunders - CEO & President

David Nicholson - EVP & President of Global Brands R&D

Tessa Hilado - CFO

Bob Stewart - President, Global Generics & Commercial Operations

Bill Meury - President, Branded Pharma

Paul Bisaro - Executive Chairman

Bob Bailey - Chief Legal Officer

Analysts

David Risinger - Morgan Stanley

Ken Cacciatore - Cowen and Company

MANAGEMENT EXHIBIT 1115

Randall Stanicky - RBC Capital Markets

Jami Rubin - Goldman Sachs

Chris Schott - JPMorgan

Liav Abraham - Citigroup

Gregg Gilbert - Deutsche Bank

Jason Gerberry - Leerink Partners

Shibani Malhotra - Nomura Securities

Operator

Good morning. My name is Holly and I'll be your conference operator today. At this time, I'd like to welcome everyone to the Allergan Fourth Quarter 2015 Earnings Conference Call. [Operator Instructions]. I'd now like to turn today's conference over to Lisa DeFrancesco, Vice President of Investor Relations. Please go ahead.

Lisa DeFrancesco

Thank you and good morning, everyone. I'd like to welcome you to the Allergan fourth quarter and full year 2015 earnings conference call. Earlier this morning, we issued a press release reporting Allergan earnings from continuing operations for the fourth quarter and full year, ended December 31, 2015. The press release and our slide deck, which we're 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 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 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 3 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 fourth quarter and full-year business highlights. David Nicholson, our Executive Vice President and President of Global Brands R&D, who will provide highlights from our pipeline achievements in 2015 and upcoming milestones. And Tessa Hilado, our Chief Financial Officer will then discuss the Allergan fourth quarter continuing operations results in more detail.

Also on the call and available during the Q&A are Paul Bisaro, our Executive Chairman; Bob Stuart, President of Global Generics and Commercial Operations; Bill Meury, President of Branded Pharma; Paul Navarre, President of International Brands; Philippe Schaison, President of Allergan Medical and Bob Bailey, our Chief Legal Officer. With that, I'll turn the call over to Brent.

Brent Saunders

Thank you, Lisa and good morning, everyone. It great to be with you to review our results for the fourth quarter and full year of 2015. It has been a very exciting and successful 2015 for Allergan, as we continue to transform our business into a Growth Pharma leader.

Allergan's fourth quarter and full-year performance reflects a continued laser focus on executing on the four pillars of our growth strategy. First, operational excellence. We powered another quarter of exceptional financial performance, while successfully integrating Forest and Allergan. With the planned divestiture of our generics business to Teva, we're accelerating our transformation into a Growth Pharma leader.

Second, our focus on therapeutic area leadership has led to strong growing branded franchises with new product launches serving as a growth accelerator. Third, our productive and innovative R&D engine continues to produce at a record pace.

In 2015, we delivered four branded NME FDA approvals. That is nearly 10% of all such approvals by the Agency in 2015. With more than 70 mid to late stage programs in development, our branded pipeline is poised to continue to delivering innovative products for patients across our key therapeutic areas.

Our best-in-class generics R&D engine also finished the year strong, with 46 new ANDAs filed, including 22 first-to-file applications. And we're continuing to execute on strategic business development opportunities. Our Open Science model has helped us build or expand number one or two positions in many of our key therapeutic areas and has delivered significant R&D assets to build a sustainable pipeline. With our proposed combination with Pfizer, we're positioned to create the leading global biopharmaceutical company in the world.

Turning to slide 6, this year was highly transformative for Allergan, with the announced divestiture of our Global Generics business to Teva. We continue to make great progress on our planning efforts and Teva continues to make progress with regulatory authorities. We're working towards satisfying all conditions in order to close by the end of the first quarter of 2016; however it is possible that closing could slip beyond the end of the first quarter. I'm very proud of the tremendous focus and execution of our Global Generics team and we look forward to the combination of our two great generics businesses.

Slide 7. Now let me turn to the continuing operations business performance in the fourth quarter. Our fourth quarter net revenue grew 74% on a year-over-year basis to \$4.2 billion, as a result of the Allergan acquisition and strong global growth within all of our key therapeutic categories.

Strong sales in key products across our businesses drove a 33% increase in non-GAAP earnings per share to \$3.41. Meanwhile, non-GAAP adjusted EBITDA rose to \$2 billion, an increase of 115% versus prior year and cash flow from operations was \$1.8 billion, excluding R&D asset acquisitions, restructuring and integration payments. These results illustrate the strong long term growth profile of Allergan and our Growth Pharma model.

Our team continues to drive strong performance. Five of our seven franchises have now reached the \$1 billion mark. We maintained or expanded our leadership position in all of our key therapeutic categories and when you exclude the impact of foreign exchange and Namenda IR, all of our therapeutic area businesses delivered double digit growth.

Slide 9. Our branded revenues grew double digits for the year and growth was broad-based across our key therapeutic areas. Excluding the impact of foreign exchange, three quarters of our top global products grew at double-digit rates. Nine of our top global products grew more than 15%. Leading growth drivers included Restasis, plus 19; Fillers, plus 20; Botox, plus 14; Linzess plus 55; Viibryd, plus 26 and Lo Loestrin, plus 26.

We continue to solidify our leadership in key categories, with strong execution on new launches. Our recent launch of Viberzi for the treatment of IBSD is off to a strong and early start and is in line with our previous launch of Linzess in IBSC. In anti-infectives, our launches of Avycaz and Dalvance had delivered strong results throughout the year and are out-pacing competition with an impressive launch trajectory.

The launch of Liletta, our IUD earlier this year, has been very successful, showing continued growth momentum in unit sales. Voluma, a key driver within our Fillers line in the U.S., continues to drive strong growth for our Allergan medical business. Looking ahead, we will continue to drive growth through new approvals and upcoming launches, including Vraylar in the first quarter of 2016.

Touching on our international business, our teams delivered continued double-digit revenue growth from key products including Botox therapeutic, Ozurdex and our glaucoma business. Our international eye care team has led an exceptional rollout of Ozurdex in new countries with new indications, driving a 35% growth rate for that product year-over-year. In addition, our international team launched several key products in 2015, including Juvederm in China and we gained rights to Constella in more than 40 markets, which adds another growth driver for this business in 2016.

Turning to slide 11, as noted earlier, we have made tremendous R&D progress this year. Our Open Science model seeks to deliver innovation regardless of its source. We have utilized this model to acquire or in-license innovative products that expand our therapeutic area of leadership and 2015 was a year of impressive productivity on this front.

In eye care, we continue to add shots on goal and development opportunities for dry eye disease and glaucoma, with the acquisitions of Oculeve, Mimetogen and Aquesys. In aesthetics, we completed the acquisition of Kythera, adding Kybella, a non-surgical treatment for submental fullness or double chin. We also acquired Northwood Medical Innovation and its less invasive surgery-sparing product, earFold, as well as Anterios and its proprietary NDS platform delivery technology that could enable local targeted delivery of neurotoxins to the skin without the need for injections.

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