EX-99.1 2 d879266dex991.htm EX-99.1

**Exhibit 99.1**

Corrected Transcript

23-Feb-2015

# Valeant Pharmaceuticals International, Inc. (VRX)

Q4 2014 Earnings Call

FACTSET: callstreet
1-877-FACTSET www.callstreet.com

Total Pages: 24


ACRUX DDS PTY LTD. et al.
EXHIBIT 1600
IPR Petition for
U.S. Patent No. 7,214,506

# CORPORATE PARTICIPANTS

Laurie W. Little
*Senior Vice President-Investor Relations*

Howard B. Schiller
*Executive Vice President and Chief Financial Officer*

J. Michael Pearson
*Chairman and Chief Executive Officer*

# OTHER PARTICIPANTS

Umer Raffat
*Evercore ISI*

Irina Rivkind Koffler
*Cantor Fitzgerald Securities*

Annabel E. Samimy
*Stifel, Nicolaus & Co., Inc.*

Christopher Thomas Schott
*JPMorgan Securities LLC*

Andrew J. Finkelstein
*Susquehanna Financial Group LLLP*

Douglas D. Tsao
*Barclays Capital, Inc.*

David R. Risinger
*Morgan Stanley & Co. LLC*

Marc Goodman
*UBS Securities LLC*

Louise A. Chen
*Guggenheim Securities LLC*

Alex Arfaei
*BMO Capital Markets (United States)*

David A. Amsellem
*Piper Jaffray & Co (Broker)*

Corey George Davis
*Canaccord Genuity, Inc.*

Tim Chiang
*CRT Capital Group LLC*

Gregg Gilbert
*Deutsche Bank Securities, Inc.*

Sachin Shah
*Albert Fried & Co. LLC*

David M. Steinberg
*Jefferies LLC*

Douglas Miehm
*RBC Capital Markets*

Divya Harikesh
*Goldman Sachs International*

# MANAGEMENT DISCUSSION SECTION

**Operator:** Good morning. My name is Steve, and I will be your conference operator today. At this time, I would like to welcome everyone to the Valeant Pharmaceuticals Q4 and Full Year 2014 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. [Operator Instructions] Thank you.

Head of Investor Relations, Laurie Little, you may begin your conference.

## Laurie W. Little

*Senior Vice President-Investor Relations*

Thanks, Steve. Good morning, everyone, and welcome to Valeant's Investor Conference Call where we will be discussing our fourth quarter and full year 2014 financial results, as well as the acquisition of Salix Pharmaceuticals. Presenting on the call today are Howard Schiller, Chief Financial Officer, who will present our fourth quarter results and first quarter guidance; and J. Michael Pearson, Chairman and Chief Executive Officer, who will cover the recently announced acquisitions of Dendreon and Salix; Dr. Ari Kellen, Company Group Chairman, will be available for questions after our prepared remarks. In addition to a live webcast, a copy of today's slide presentation can be found on our website under the Investor Relations section.

Before we begin, our presentation today contains forward-looking information. We would ask that you take a moment to read the forward-looking statements mentioned at the beginning of our presentation as it contains important information.

Now, please note that the tender offer in connection with the Salix merger has not yet commenced, and our communication is not an offer or a solicitation of an offer to purchase any security. On the commencement date of the offer, an offer to purchase and other related documents will be filed with the SEC, and the tender offer will only be made pursuant to those documents. Investors and security holders are urged to read both the tender offer documents and the solicitation recommendation statement regarding offer that may become available in our files with the SEC as they will contain important information.

In addition, this presentation contains non-GAAP financial measures. For more information about non-GAAP financial measures, please refer to slide number two. Non-GAAP reconciliations can be found in the press release issued earlier today and posted on our website.

And with that, I will turn the call over to Howard Schiller.

## Howard B. Schiller

*Executive Vice President and Chief Financial Officer*

Thank you, Laurie. Good morning, everyone, and thank you for joining us. Yesterday, we announced very strong financial results for the fourth quarter and full-year 2014, as well as our agreement to acquire all the outstanding stocks of Salix Pharmaceuticals.

We plan to discuss three topics on today's call. First, discuss our strong fourth quarter financial results. As we have much to talk about today, we will not spend as much time on our full-year financial results but will focus our prepared comments on the fourth quarter results which are very strong across all metrics and ahead of our previous guidance. We have provided additional details of our financial performance at the end of this presentation for you to review at a later time. Second, we will provide you with Q1 2015 guidance. And lastly, we will discuss our recent announcement surrounding our acquisitions of Dendreon and Salix.

We are pleased to report exceptionally strong results for the fourth quarter. For the quarter, our total revenue was $2.3 billion, an increase of 10% over the prior year, largely driven by exceptionally strong growth in many of our U.S. businesses which more than offset the negative headwinds from foreign exchange in our ex-U.S. markets.

Our cash EPS was $2.58 a share, an increase of 20% over the prior year. Our GAAP cash flows from operations for the quarter were $816 million, an increase of 191% over the prior year. This increase included a $287 million gain from the Allergan investment, net of fees, and out-of-pocket expenses, which we realized in the quarter. Adjusted cash flow from operations which excludes this gain was $624 million.

We're pleased to have exceeded our Q4 guidance on every metric. Our original forecast projected us to deliver organic growth greater than 12% and we delivered 16% same-store organic growth. Bausch + Lomb reported 8% organic growth for the fourth quarter, 11% organic growth for the full year. And we expected B+L to continue to deliver double-digit growth in 2015.

Our total revenue came in almost $100 million greater than our guidance despite significant FX headwinds and cash EPS was $2.58 versus greater than $2.55 cash EPS guidance, adjusted cash flow from operations excluding the Allergan investment gain was $624 million, in line with our guidance of greater than $600 million. And, finally, our restructuring and integration charges for the quarter came in at $47 million.

Turning to organic growth, our overall same-store total company organic growth, including generics was 16% for the quarter. If we had excluded generics in Q4, total company same-store organic growth would have been 18%. Many of our regions contributed to the strong total company organic growth with our U.S. business at 28%, total developed markets at 20% and our emerging market business at 6% same-store organic growth.

Our same-store organic growth for the year was 13%, and we expect to continue strong, double-digit same-store growth in 2015. Same-store organic growth excludes acquisitions for one year post-close and, therefore, Dendreon and Salix will not be included in this calculation. Dendreon and Salix, however, will be included in our pro forma organic growth calculation.

B+L continued its strong growth performance delivering 8% organic growth in Q4, 11% for the full year and 10% organic growth since the acquisition in August 2013. Most of the Bausch + Lomb businesses continued their consistently strong growth patterns. Our surgical business; however, had a weaker quarter due to a flat cataract surgery market overall and declining sales of our Excimer lasers.

In addition, we switched our Victus commercial model from a sales model to a lease model which contributed to lower sales for the quarter. If you adjusted for the change in the Victus commercial model, sales were flat for the quarter. For the quarter and for the year, our surgical businesses continued to gain share in premium IOL and in Femtosecond laser placements.

As promised, we are continuing to show revenue for the quarter and the year for our top 20 products. We are very pleased to report that all 20 products grew in the quarter over the prior year. The two new additions to the list this quarter are Jublia and Carac. It is truly exciting to see that Jublia was our fourth largest product in Q4 and recently reported weekly script trend showed 20,000-plus scripts. Carac delivered a very strong quarter based on 40% growth from sales of the brand, and from the channel load of the recently-launched authorized generic which we manufacture.

Also, just to point out, in response to a few questions from investors, we have now included Wellbutrin sales on a global basis on this chart. Earlier in the year, the sales in our top 20 chart were U.S. only.

As a percentage, our top 20 products represent 36% of total revenue in the fourth quarter with top 20 growing 28% over the fourth quarter in 2013 and 20% on a full-year basis.

Our top 20 products continue to demonstrate the diversification of our portfolio with no product more than 4% of revenue. Similar to last quarter, the growth of our total product portfolio is driven by approximately 50/50 mix of volume and price.

Highlights for our U.S. business and the rest of the world are continuing in the next four slides. Revenues for our dermatology business were very strong and increased 70% year-over-year. The outstanding work of our sales team's implementation of innovative marketing and purchase, great leadership and portfolio of great products and our four new launched products have contributed to the turnaround in the outstanding result in our dermatology business in Q4 and 2014.

Core products such as Zyclara, Elidel and the RAM franchise continued the strong growth and Solodyn grew in Q4 and grew 5% for all of 2014 after a tough year in 2013.

Jublia continues its rapid growth trajectory and recorded more than 20,000 weekly scripts for the last reported weekly sales report. This yields to annualized run rate of greater than $250 million for the product.

Our DTC campaign continues to increase awareness with patients as we are seeing primary care physicians representing approximately 40% of the script volume. I'd hope that you all saw our Super Bowl ad, which received 1.2 billion digital impressions and it significantly raised the awareness of the product. LUZU and Retin - A Micro 0.08% continued to perform well with script trends up 12% and approximately 200% sequentially.

Our consumer business revenue grew 6% over the prior year as we continue to outpace the market. CeraVe remains the fastest-growing major skin care brand with 49% year-over-year growth. PreserVision also continues its strong growth trajectory with AREDS, the number one selling vitamin SKU, delivering 17% growth in the quarter based on consumption. The entire brand grew 14% year-over-year. Finally, our BioTrue Multipurpose Solution delivered 7% growth over the prior year.

Our Prescription Ophthalmology revenues grew 8% year-over-year with continued strong performance from Prolensa and the Lotemax franchise. Revenues for our contact lens business grew 13% year-over-year, our third straight quarter of double-digit growth. We currently have 10% of the U.S. contact lens market, a 3-point market share improvement since we acquired B+L.

Ultra, while still not a significant contributor to revenues due to production capacity constraints, had $4.2 million in revenues for the quarter. We expect the first full production line to be validated in Q2, followed by our second commercial line in Q4. And finally, we recently agreed to a new strategic partnership with Vision Source, the largest doctor alliance group with 3,000 locations across all of our contact lens brands and solutions.

I've already described the reasons behind the revenue decline in Q4 for our surgical business. The cataract market continues to be flat in Q1, but we expect the market to rebound to normal growth levels of approximately 5% later this year. As I mentioned earlier, our surgical business continued to gain share in premium IOLs and in Femtosecond laser placements. In addition, we are beginning to conduct clinical trials in the U.S. for TENEO Excimer laser, which is already approved and selling in Europe, and will enable us to improve our competitive positioning in this important market segment.

DOCKET ALARM

# Explore Litigation Insights

Docket Alarm provides insights to develop a more informed litigation strategy and the peace of mind of knowing you're on top of things.

## Real-Time Litigation Alerts

Keep your litigation team up-to-date with **real-time alerts** and advanced team management tools built for the enterprise, all while greatly reducing PACER spend.

Our comprehensive service means we can handle Federal, State, and Administrative courts across the country.

## Advanced Docket Research

With over 230 million records, Docket Alarm's cloud-native docket research platform finds what other services can't. Coverage includes Federal, State, plus PTAB, TTAB, ITC and NLRB decisions, all in one place.

Identify arguments that have been successful in the past with full text, pinpoint searching. Link to case law cited within any court document via Fastcase.

## Analytics At Your Fingertips

Learn what happened the last time a particular judge, opposing counsel or company faced cases similar to yours.

Advanced out-of-the-box PTAB and TTAB analytics are always at your fingertips.

## API

Docket Alarm offers a powerful API (application programming interface) to developers that want to integrate case filings into their apps.

**LAW FIRMS**

Build custom dashboards for your attorneys and clients with live data direct from the court.

Automate many repetitive legal tasks like conflict checks, document management, and marketing.

**FINANCIAL INSTITUTIONS**

Litigation and bankruptcy checks for companies and debtors.

**E-DISCOVERY AND LEGAL VENDORS**

Sync your system to PACER to automate legal marketing.

WHAT WILL YOU BUILD? | sales@docketalarm.com | 1-866-77-FASTCASE

fastcase®
Smarter legal research.