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# EDITED TRANSCRIPT

## VRX.TO - Q1 2015 Valeant Pharmaceuticals International Inc Earnings Call

EVENT DATE/TIME: APRIL 29, 2015 / 12:00PM GMT

**OVERVIEW:**

Co. reported 1Q15 revenues of $2.2b and cash EPS of $2.36. Expects 2015 revenues to be $10.4-10.6b and cash EPS to be $10.90-11.20. Co. also expects 2Q15 revenues to be $2.45-2.55b and cash EPS to be $2.40-2.50.

ACRUX DDS PTY LTD. et al.
EXHIBIT 1658
IPR Petition for
U.S. Patent No. 7,214,506

## CORPORATE PARTICIPANTS

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**J. Michael Pearson** *Valeant Pharmaceuticals International Inc - Chairman & CEO*

**Howard Schiller** *Valeant Pharmaceuticals International Inc - CFO*

**Ari Kellen** *Valeant Pharmaceuticals International Inc - Comapny Group Chairman*

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## PRESENTATION

**Operator**

Good morning. My name is Stephanie and I will be your conference operator today. At this time I'd like to welcome everyone to the Valeant Pharmaceuticals first-quarter earnings conference call.

(Operator Instructions)

Thank you. Ms. Laurie little, Head of Investor Relations, you may begin your conference.

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**Laurie Little** - *Valeant Pharmaceuticals International Inc - Head of IR*

Thanks, Stephanie.

Good morning, everyone, and welcome to Valeant's investor first-quarter 2015, conference call. Today we will be discussing our financial results and presenting on the call are J. Michael Pearson, Chairman and Chief Executive Officer; and Howard Schiller, Chief Financial Officer. Dr. Ari Kellen, Company group Chairman, will also 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 statement legend at the beginning of our presentation, as it contains important information.

In addition, this presentation contains non-GAAP financial measures. For more information about non-GAAP financial measures, please refer to slide number 1. Non-GAAP reconciliations can be found in the press release issued earlier today and posted on our website.

Finally, the financial guidance in this presentation is effective only as of today. It is our policy to update our firm guidance only through broadly disseminated public disclosure.

And with that, I'll turn the call to Mike.

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**J. Michael Pearson** - *Valeant Pharmaceuticals International Inc - Chairman & CEO*

Thank you, Laurie. Good morning, everyone, and thank you for joining us. Today we announced very strong financial results from the first quarter of 2015.

We plan to discuss four topics on today's call. First, we'll review our strong first-quarter financial results. Second, provide you with the highlights of our first-quarter business performance. Next, we'll update you on the progress with the integrations of both Dendreon and Salix. And finally, we'll discuss our financial performance and update our 2015 guidance.

This morning we reported Valeant's first-quarter results for 2015, which were driven by strong sales growth and profitability across all our regions, once again demonstrating the strength of our diversified and decentralized business model. Before we begin discussing the details of our performance, I wanted to provide the highlights of this quarter.

The results announced today exceeded the Q1 guidance that we provided on our last call, despite losing $140 million in top-line revenue and $0.12 in cash EPS to FX headwinds. We had very strong same-store organic growth of greater than 15%, driven by the strong performance from most of our business units around the world.

The Dendreon and Salix integrations are largely complete. With Salix, we will exceed $530 million in synergies and exceed the $500 million run rate by the end of Q2. With Dendreon, we expect to achieve greater than $130 million in synergies and to achieve 90% of this run rate by the end of the year.

Based on our strong base business of performance, and the contributions from sales from Dendreon, we are raising our 2015 cash EPS guidance to $10.90 to $11.20. Finally, we are reconfirming that we expect 20%-plus cash EPS accretion from the Salix acquisition in 2016. And we remain confident in our ability to comfortably seed $7.5 billion in EBITDA in 2016.

Looking at our quarter, our total revenue was $2.2 billion, an increase of 16% over the prior year, largely driven by the exceptionally strong growth in many of our US businesses, which more than offset the negative headwinds from FX in our ex-US markets. Adjusting for FX in the divestiture of our aesthetics business to Galderma last year, revenue grew 27% in Q1 2014.

Cash EPS was $2.36, an increase of 34% over prior year. This includes the negative impacts of the $140 million in revenue and $0.12. Adjusted for FX and the aesthetic divestment, cash EPS grew 50% Q1 2015 over Q1 2014.

Additionally, the acquisition-related financing that was completed prior to the quarter end had an impact on our Q1 result. We included the negative $0.01 impact from the share issuance while we excluded the $0.02 impact from the debt financing that settled prior to quarter end.

Turning to organic growth, our overall same-store total Company organic growth was 15% for the quarter. While almost all of our businesses delivered strong organic growth, I would like to highlight contact lenses, dermatology, Obagi, ophthalmology Rx, Asia, the Middle East and North

Africa, Poland and Mexico as having particularly strong quarters. This performance puts us at the high-end of our previous guidance of 10% to 15%, and we expect to deliver any growth for the rest of the year of greater than 10%.

Most of the Bausch and Lomb businesses continued their consistently strong growth pattern, delivering 6% organic growth in Q1. If we exclude Japan, B&L grew 8% for the quarter. You may remember that Japan enacted a sales tax increase effective April 1, 2014. This lead to a significant increase in forward buying of all consumer products in Japan, including our B&L products in Q1 of last year.

In the subsequent quarter, our sales in Japan dropped approximately $8 million. Thus, we expect double-digit organic growth next quarter in B&L Japan. If normalized over both quarters, Japan is growing in the high single-digits.

The other area of slow organic growth is in our US surgical division, which has had a second consecutive slow quarter. As you have seen in other earnings reports, the cataract market view us has been flat from Q4 2014 to Q1 of 2015. We do expect this to start strengthening the rest of the year.

Our growth was slowed by changing our business model for our VICTUS femtosecond laser to a lease versus sale model from 2014 to 2015, and a continued erosion of our Excimer laser. This reduction was offset by the growth in Trulign and enVista IOLs.

Overall, our surgical business is doing well and gaining share in the most attractive segments. We have become trials on our next generation Lasik platform, TENEO, in the US which will replace the Excimer. Outside the US, our TENEO platform is gaining share. Despite these pressures on B&L this quarter, we are confident that B&L will achieve approximately 10% organic growth for the full-year 2015.

As promised, we are continuing to show revenue for our top 20 products. As a percentage, our top 20 products represent 41% of total revenue in the first quarter, with the largest product representing approximately 3% of revenue and the top 10 products contributing approximately 27% of revenue.

The top 20 products, excluding three newly acquired products, grew 36% over the first quarter of 2014. The three newly added products from recently completed acquisitions include two from our Marathon acquisition, Isuprel and Nitropress, and Provenge from the Dendreon transaction. This quarter the majority of the growth of our top 20 products was driven by volume increases for most of our top products.

Our US dermatology business had an outstanding quarter. Dermatology revenue grew 38% year on year and script growth grew 37% year on year. Jublia scripts grew 87% in Q1 versus Q4 of last year. Our Jublia revenue growth was more modest, due, as expected, to post-launch stocking levels at wholesalers and retailers being reduced.

On April 20 we launched a new television campaign featuring John McEnroe, which is already having a positive impact on the product. Next week we will be launching a Jublia 8-milliliter SKU as opposed to our current 4-milliliter SKU, with a $0 co-pay. At the end of Q2 we will be eliminating our $0 co-pay on the 4ml SKU. We expect this will further accelerate the growth of the brand.

We also launched Onexton this quarter, our new combination acne treatment, and we are seeing an almost identical ramp of scripts as we did with Jublia. We've also begun a DTC campaign with our first commercial airing April 6, targeted towards the adult female audience. Our peak sales estimate for Onexton is now between $100 million and $200 million.

Luzu continues to grow with weekly scripts growing 90% over the course of Q1. Our Retin-A franchise grew greater than 50% Q1 2014 to Q1 2015.

And finally, Obagi and Solta combined to grow over 20%. As you can see, given their modest size, we are now including Obagi and Solta in our US dermatology business unit.

Turning to our eye health business. Our eye health business is performing extremely well and delivered 19% growth over the prior year. Our contact lens business continues to see strong growth from our BioTrue ONEday lens.

BioTrue ONEday delivered its biggest revenue quarter since launch, growing 97% over the prior year. We expect this growth to continue, as we recently received clearance for our BioTrue Toric lens and plan on launching this product later this year.

Our ophthalmology Rx business continues to see strong double-digit growth fueled by multiple brands. B&L's Ultra contact lens continues to be well received by healthcare professionals and is selling to production capacity on our pilot line. Our first commercial manufacturing line is expected to be validated and producing contact lenses in May, which will begin to help fill demand not only in the US, but allows us to launch outside the United States in select markets by the end of the year.

In addition, we have now received clearance for both the Multi Focal and Toric Ultra lens, which we expect to launch in Q4 2015 and Q1 2016, respectively. In Q1 Ultra sales were only $7 million, due to only producing pilot products on our pilot line.

As I mentioned previously, the number of cataract surgeries remained flat overall, which affected our surgical business. As I mentioned, the growth in Trulign IOLs offset the decline in sales of our Excimer lasers. Our R&D team was successful in obtaining FDA clearance for both new software and hardware for our VICTUS machine, which should fuel growth for the rest of the year.

Turning to our other US businesses, revenue growth for our neuro and other and generics portfolio was driven by products, including Xenazine, Ammonul and Virazol. Our consumer business revenue continued to outpace the market with strong revenue growth from CeraVe, Preservision, Occuvite and Soothe XP.

We launched seven new CeraVe products in the quarter, as well as our new Occuvite vitamin gummies, which will continue to provide growth in 2015. Our lens care solutions delivered 21% growth over the prior year, driven by our BioTrue Multipurpose Solution. Finally, our dental business accelerated its historically strong growth due to the exceptionally strong volume growth of Arestin.

Now turning to the rest of the world, our emerging markets business in Central and Eastern Europe and the Middle East delivered solid organic growth of 6%. We realized strong organic growth in Poland of 29%, as well as the Middle East which delivered organic growth of 26%.

Russia delivered negative organic growth this quarter due to the strong demand in the fourth quarter of 2014, as the market anticipated retail prices that were set for increases at the beginning of 2015. We expect Russia to return to positive organic growth in the second quarter.

Organic growth for our emerging markets business in Asia was overall 10% versus the prior year. We continued to see strong growth in a number of key countries, such as Thailand at 30%, China at 17%, South Korea at 15% and Malaysia at 13%, just to mention a few. In Latin America we delivered 7% organic growth with Mexico performing very well, growing 11% for the quarter, which offset continued weakness in Brazil.

For the rest of the world developed markets, the underlying business remained strong with both Canada and Australia businesses performing well, with 10% and 3% growth, respectively. Their growth was offset by the decline of 9% in Japan due to the anticipation of the sales tax increase in April of last year, which I discussed earlier.

On our last call we announced the close of our acquisition of Dendreon and I am pleased to report that we are off to a strong start. Dendreon's revenue is on plan and the business was profitable in Q1. We have identified more than $130 million in synergies and we expect to achieve a 90% run rate of these synergies by the end of 2015, with gross margins expected to be in the mid-60%s range by year-end. Our commercial team has now focused their efforts on the urology market in addition to oncology, which we believe will begin to drive growth.

Now let me turn to our Salix acquisition. We completed our acquisition of Salix on April 1, and we are largely complete with the integration. A new leadership team has been appointed that includes Bill Bertrand, Salix's former COO as General Manager; John Temporato as Head of Sales; and Tom Hadley, former Marketing Director for both Jublia and Luzu, as head of Marketing.

As with Dendreon, we have identified all synergies and expect to exceed our original synergy target of $500 million. We notified all office space employees on Day 1 as to their respective status with this Company, and we expect to be at the $500 million run rate in terms of synergies by the end of June. The remaining synergies will be achieved by the end of the year.

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