

ALLERGAN INC
Form 425
April 22, 2014

An Unrivaled Platform for
Growth & Value Creation in
Healthcare
Valeant Pharmaceuticals International, Inc. +
Allergan, Inc.

April 22

nd

, 2014

Filed by Valeant Pharmaceuticals International, Inc.
(Commission File No. 001-14956) pursuant to Rule
425 under the Securities Act of 1933 and deemed
filed pursuant to Rule 14a-12 under the Securities
Exchange Act of 1934

Subject Company: Allergan, Inc.

Commission File No.: 001-10269

To be used in connection with Investor Presentation

Speakers

2

J. Michael Pearson

Chairman of the Board and Chief Executive Officer

Howard Schiller

Executive Vice President and Chief Financial Officer

Dr. Ari Kellen

Executive Vice President and Company Group Chairman

Forward-looking statements (1/2)

the
ultimate
outcome
of
any
possible
transaction
between
Valeant

and
Allergan
including
the
possibilities
that
Valeant will not pursue a transaction with Allergan and that Allergan will reject a transaction with Valeant;
if
a
transaction
between
Valeant
and
Allergan
were
to
occur,
the
ultimate
outcome
and
results
of
integrating
the
operations of Valeant and Allergan, the ultimate outcome of Valeant's pricing and operating strategy applied to
Allergan and the ultimate ability to realize synergies;
the
effects
of
the
business
combination
of
Valeant
and
Allergan,
including
the
combined
company's
future
financial condition, operating results, strategy and plans;

3

This communication may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and Canadian securities laws. These forward-looking statements include, but are not limited to, statements regarding Valeant Pharmaceuticals International, Inc.'s (Valeant) offer to acquire Allergan, Inc. (Allergan), its financing of the proposed transaction, its expected future performance (including expected results of operations and financial guidance), and the combined company's future financial condition, operating results, strategy and plans. Forward-looking statements may be identified by the use of the words

anticipates, expects, intends, plans, should, could, would, may, will, believes, estimates, potential, target, opportunity, tentative, positioning, designed, create, predict, project, seek, ongoing, upside, increases or continue and variations or similar expressions. These statements are based upon the current expectations and beliefs of management and are subject to numerous assumptions, risks and uncertainties that change over time and could cause actual results to differ materially from those described in the forward-looking statements. These assumptions, risks and uncertainties include, but are not limited to, assumptions, risks and uncertainties discussed in the company's most recent annual or quarterly report filed with the Securities and Exchange Commission (the SEC) and the Canadian Securities Administrators (the CSA) and assumptions, risks and uncertainties relating to the proposed merger, as detailed from time to time in Valeant's filings with the SEC and the CSA, which factors are incorporated herein by reference. Important factors that could cause actual results to differ materially from the forward-looking statements we make in this communication are set forth in other reports or documents that we file from time to time with the SEC and the CSA, and include, but are not limited to:

Forward-looking statements (2/2)

the effects of governmental regulation on our business or potential business combination transaction;
ability to obtain regulatory approvals and meet other closing conditions to the transaction, including all necessary stockholder approvals, on a timely basis;
our ability to sustain and grow revenues and cash flow from operations in our markets and to maintain and grow our customer base, the need for innovation and the related capital expenditures and the unpredictable economic conditions in the United States and other markets;
the impact of competition from other market participants;
the development and commercialization of new products;
the availability and access, in general, of funds to meet our debt obligations prior to or when they become due and to fund our operations and necessary capital expenditures, either through (i) cash on hand, (ii) free cash flow, or (iii) access to the capital or credit markets;
our ability to comply with all covenants in our indentures and credit facilities, any violation of which, if not cured in a timely manner, could trigger a default of our other obligations under cross-default provisions; and
the
risks
and
uncertainties
detailed
by
Allergan

with
respect
to
its
business
as
described
in
its
reports
and
documents filed with the SEC.

All forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by this cautionary statement. Readers are cautioned not to place undue reliance on any of these forward-looking statements. These forward-looking statements speak only as of the date hereof. Valeant undertakes no obligation to update any of these forward-looking statements to reflect events or circumstances after the date of this communication or to reflect actual outcomes.

4

Additional information

Information regarding the names and interests in Allergan and Valeant of Valeant and persons related to Valeant who may be deemed participants in any solicitation of Allergan or Valeant shareholders in respect of a Valeant proposal for a business combination with Allergan is available in the additional definitive proxy soliciting material in respect of Allergan filed with the SEC by Valeant on April 21, 2014. Information regarding

the
names
and
interests
in
Allergan
and
Valeant
of
Pershing
Square
and

persons related to Pershing Square who may be deemed participants in any solicitation of Allergan or Valeant shareholders in respect of a Valeant proposal for a business combination with Allergan is available in additional definitive proxy soliciting material in respect of Allergan filed with the SEC by Pershing Square. The additional definitive proxy soliciting material referred to in this paragraph can be obtained free of charge from the sources indicated above.

5

This communication does not constitute an offer to buy or solicitation of an offer to sell any securities. This communication relates to a proposal which Valeant has made for a business combination transaction with Allergan. In furtherance of this proposal and subject to future developments, Valeant and Pershing Square Capital Management, L.P. (Pershing Square) (and, if a negotiated transaction is agreed, Allergan) may file one or more registration statements, proxy statements or other documents with the U.S. Securities and Exchange Commission (the SEC). This communication is not a substitute for any proxy statement, registration statement, prospectus or other document Valeant, Pershing Square and/or Allergan may file with the SEC in connection with the proposed transaction.

INVESTORS AND SECURITY HOLDERS OF VALEANT AND ALLERGAN ARE URGED TO READ THE PROXY STATEMENT(S), REGISTRATION STATEMENT, PROSPECTUS AND OTHER DOCUMENTS FILED WITH THE SEC CAREFULLY IN THEIR ENTIRETY IF AND WHEN THEY BECOME AVAILABLE AS THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED TRANSACTION. Any definitive proxy statement(s) (if and when available) will be mailed to stockholders of Allergan and/or Valeant, as applicable. Investors and security holders will be able to obtain free copies of these documents (if and when available) and other documents filed with the SEC by Valeant and/or Pershing Square through

the
web
site
maintained
by
the
SEC
at
<http://www.sec.gov>.

Valeant + Allergan
An unrivaled platform for growth and value creation in healthcare
6

Valeant + Allergan

strategically compelling transaction

Unrivaled portfolio in Ophthalmology, Dermatology, and Aesthetics

Great for patients & physicians around the world

High single-digit organic growth rate for foreseeable future

25%-30% pro forma 2014* Cash EPS accretion, year 2 and beyond expected 15-20%+ Cash

EPS growth depending on deployment of free cash flow

\$2.7B+ in annual operating cost synergies, not including significant revenue synergies

~80% in first 6 months with the remaining ~20% in the following 12 months

Maintaining \$300M+ in annual R&D spend to complete high-probability projects

High single-digit tax rate for combined company in addition to cost synergies

Pershing Square is Allergan's largest shareholder with a 9.7% stake, supporting the transaction and will elect for 100% stock

Delivered merger agreement, no antitrust uncertainty, committed financing for \$15.5B

Flexible with any and all social issues

Valeant 1

st

quarter Cash EPS will meet/beat analyst consensus expectations,

outlook for

rest of year strong, raising Cash EPS guidance from \$8.25-\$8.75 to \$8.55-\$8.80, despite negative FX headwinds of ~\$0.15 Cash EPS since budget

7

* Assumes January 1

2014 close with full synergies day 1

Source for analyst consensus: Thompson/First Call

st

Contents	
Financial Rationale	
Strategic Rationale	
Synergy Overview	
Potential Social Issues	
Antitrust, Due Diligence & Contract	
Pershing Square Involvement	
Valeant 2014 Outlook	
Next Steps	
8	

Proposed
Transaction
Review

-
consideration

9
Cash/Share*

\$48.30
+ Exchange Ratio

0.83
Allergan
Ownership*

43%
*based off of diluted shares of 306.7M

Offers a substantial
premium to unaffected \$116.63

share price as of April 10

th

, 2014 the day before Pershing

Square crossed the 5% Schedule 13D ownership level
and commenced its rapid accumulation program

Proposed
Transaction
Review

key
transaction
features
Significant immediate value to shareholders
For each Allergan share:
\$48.30 in cash

0.83 Valeant shares

Sustainable

long-term value to shareholders

\$2.7B+ in annual operating cost synergies

Additional significant revenue synergies

Additional tax synergies

Combined company expected to initiate \$0.20/share annual dividend at close, equal to current Allergan dividend

No hurdles to closing

No financing contingency, committed financing from Barclays and RBC Capital Markets

No antitrust uncertainty as Valeant will accept antitrust risk

Support from Allergan's largest shareholder

Pershing Square with 9.7% stake in Allergan

Agreed to elect to take all stock

Intends to be a significant long-term Valeant shareholder

10

Financially Compelling Transaction

2014E

Valeant

Allergan

Valeant +

Allergan

Revenue (\$B)

\$8.3-\$8.7

\$6.8-\$7.1

\$14.8-\$15.5

Adj. Cash Net

Income (\$B)

\$2.9-\$3.0

\$1.6-\$1.7

\$6.6-\$6.7

Cash EPS

\$8.55-\$8.80

\$10.95-\$11.20

Accretion

25%-30%

11

Full year 2014 Pro Forma financials

Assumes Jan 1

st

2014 close with full synergies day 1

Source

for

Allergan

amounts:

based

on

Allergan

earnings

release

February

5

2014

Note: assumes Dysport, Restylane, and Perlane are divested

th

Financially Compelling Transaction

12

2014+ Combined Company Outlook

25%-30% pro forma 2014* Cash EPS accretion, year 2 and beyond
expected 15-20%+ Cash EPS growth depending on deployment of free
cash flow

High single-digit organic revenue growth for foreseeable future

80% gross margins, improving over time

\$2.7B+ annual operating cost savings

High single-digit tax rate

\$300M+ annual R&D spend

Avg. interest expense of ~5.3% across total net debt of ~\$28B at
closing

\$6B+ in annual free cash flow and growing

Ability to leverage a strong balance sheet (expected net leverage of ~3.0x)

Source: Valeant management estimates

* Assumes Jan 1 2014 close with full synergies day 1

Accretive business development

Debt reduction

Share buybacks

Financing and Balance Sheet Impact

13

Financing

Commitment

Strong Cash

Flows

\$15.5B committed financing from Barclays and RBC Capital

Markets

Take out financing a combination of secured bonds,
unsecured bonds, and bank debt

Expected interest rate of ~5.5% on new debt (subject to
market conditions)

Annual free-cash-flow generation in excess of \$6B and growing

Capacity for continued business development

Dividend

Expect to initiate a dividend of \$0.20/share per year at close, in-line with current Allergan dividend

Credit

Profile

~\$28B net debt at closing

Expected pro forma leverage of ~3.0x

Expect investment grade rating over time

Contents	
Financial Rationale	
Strategic Rationale	
Synergy Overview	
Potential Social Issues	
Antitrust, Due Diligence & Contract	
Pershing Square Involvement	
Valeant 2014 Outlook	
Next Steps	
14	

Valeant Operating Principles

1. Put patients and our customers first by maintaining the highest ethical standards in the industry
2. Select high-growth business segments (therapeutic areas and geographies) where the healthcare professional is still the primary decision maker
3. Maintain a bias toward durable products that are largely cash pay, or are reimbursed through private insurance
4. Focus our resources on bringing new products to the market (output), not R&D spend (input)
5. Maintain a decentralized operating model to ensure decisions are made close to the customer
6. Focus our promotional spending on customer-facing activities
7. Measure all of our operating units on organic growth and cash flow generation
8. Require Internal Rates of Return (IRR) significantly above our cost of capital, coupled with short-term cash paybacks for all of our deals
9. Directly link senior management compensation to long-term shareholder returns
10. Ensure tight controls and rigorous compliance standards while avoiding overspending

15

~\$3.8B

Valeant + Allergan, An unrivaled platform for growth and value creation in healthcare

Ophthalmology

Dermatology Rx

Aesthetics

Consumer

Neurology/Dental/Other

Emerging Markets

Note: Therapeutic area revenue estimates exclude revenue from emerging markets

6-7%

~\$1.5B

6-7%

~\$2.1B

11-12%

~\$1.3B

6-7%

~\$2.8B

4-6%

~\$3.8B

10-13%

Valeant +Allergan

2014E rev

5 year market growth rate

Source: IMS, EvaluatePharma

16

Valeant + Allergan a leading portfolio in Eye Health

17

Leading

pharmaceutical

portfolio

Complete surgical

offering

High-growth contact

lens business

Leading consumer

business

Leading player
with complete
Eye Health
offering

5-year category
growth CAGR:
6-7% vs. 3-4% for
overall pharma
market

Source: IMS, EvaluatePharma

Eye Health leaders (Global Rx, Device, and Consumer)

#2 player in global Eye Health

Rank

Company

2013 Sales

(\$B)

1

Alcon

10.2

2

Valeant + Allergan

6.3

3

Johnson & Johnson

2.9

4

Regeneron

1.6

5

Roche

1.5

6

CooperVision

1.3

7

Santen

1.2

8

Abbott (AMO)

0.8

9

Zeiss

0.8

10

Bayer

0.7

18

Source: EvaluatePharma, Euromonitor

Product
Launch
Est Peak Sales
(\$MM)
Product
Launch
Est. peak sales
(\$MM)
enVista
inserter
(lens)

Launched
560-820
Brimonidine
2016
1,150-2,500
PureVision2 for
Presbyopia
Launched
Latanoprostene
bunod
2016
Victus
enhancements
Lens
fragmentation 2H
2014
MIM-D3
2017
Ultra
Launched
Ultra Multi Focal,
Toric, and Plus
Powers
2015/2016
BioTrue®
multifocal
May-14
Trulign
expanded ranges
(lens)
Q2 2014
Product
Launch
Est Peak Sales
(\$MM)
Product
Launch
Est. peak sales
(\$MM)
Ozurdex (DME)
Expected 2014
100-150
Restasis EU
2015
100-200
Launch Products
Phase III
Eye Health pipeline
19

Source: analyst estimates for Allergan, Valeant management estimates

Valeant + Allergan a leading portfolio in Dermatology

20

Leading acne
portfolio

Leading anti-infective
and anti-fungal
portfolio

Strong dermatoses
and skin barrier
franchise

Complementary
immune business

5-year category
growth CAGR of
6%-7% vs. 3%-
4% for overall
pharma market

Major US player
with strong
portfolio offering
across
categories

Most launches in
the industry in
2014

Source: IMS, EvaluatePharma

Product
Launch
Est Peak Sales
(\$MM)
Product
Launch
Est. peak sales
(\$MM)
Bensal HP®
Re-launched
445-1,055
IDP-118
2017

200-300

Luzu®

Launched

Retin-A Micro®

.08%

Jun-14

Jublia®

Q3 2014 (pending

FDA approval)

Onexton

Early Q1 2015

(pending FDA

approval)

Product

Launch

Est Peak Sales

(\$MM)

Product

Launch

Est. peak sales

(\$MM)

None

Aczone X

2016

50-100

Launch Products

Phase III

Dermatology pipeline

21

Source: analyst estimates for Allergan, Valeant management estimates

Valeant + Allergan a leading portfolio in Aesthetics

22

Leader in toxins and
fillers

Leader in physician
skin care

Comprehensive
energy-based device
portfolio

#2 globally in breast
aesthetics

5-year category
growth CAGR of
11-12% vs. 3%-
4% for overall
pharma market

Creates global
leader across
categories

Only
comprehensive
portfolio in the
industry

Source: IMS, EvaluatePharma

Product
Launch
Est Peak Sales
(\$MM)
Product
Launch
Est. peak sales
(\$MM)
Neotensil
Launched
135-235
Emervel
2015
100-200
Obagi360
System
Launched

Ideal Implants

Q3 2014

Hyaluronic acid for
lips

Q4 2014

Product

Launch

Est Peak Sales

(\$MM)

Product

Launch

Est. peak sales

(\$MM)

Botox (Crow s

Feet)

Launched

50-100

Latisse EU

2015

200

Latisse (Brow)

2017

Launch Products

Phase III

Aesthetics pipeline

23

Source: analyst estimates for Allergan, Valeant management estimates

Valeant Emerging Market portfolio

Diversified geographic mix including Poland, Russia & CIS, Turkey, China, Brazil, Mexico, Indonesia, South Africa, Vietnam, and Middle East

Extensive experience selling branded generics, OTCs, and innovative products

Tailored local market strategies

Sales forces with strong physician and pharmacy relationships

Augment selling efforts with direct to consumer advertising

Branded generic products are equivalent to US Healthcare OTCs (i.e., Advil vs. Perrigo Ibuprofen)

Recommended by physicians & largely cash-pay

Typically 10-20% premium over pure generics

Products targeting the growing middle class

Doctors recommend and patients make brand decisions based on perceptions of quality, value, and brand loyalty

No patent cliffs, launching 300+ branded generic products per year across markets

24

Valeant leading local brands in emerging markets
Leading flu & virus medication in Russia
~\$40M in 2013 revenue with ~10%+ growth
Beta-blocker to treat hypertension & angina in Poland
~\$30M in 2013 revenue with 5% growth
Vitamin B injection, injected at doctor/pharmacy in Mexico
~\$45M in 2013 revenue with 10%+ growth
#1 Brazilian sports nutrition line
~\$60M in 2013 revenue with 20%+ growth
Leading line of aesthetic contact lenses in Asia
~\$40M in 2013 revenue with 30%+ growth

Leading weight loss product in SE Asia & South Africa
~\$14M in 2013 revenue with 15%+ growth
25

Opportunity to apply Valeant emerging market success
to Allergan

26

Distributor of Botox in Poland for Allergan
from 2005-2008

Drove significant Y/Y growth: topline 60%,
volume 40%

Gained over 70% market share in aesthetics

Post V growth slowed to single digit CAGR
over the next 4 years

Built leading

brand position,
growing both
product sales and
overall market
sales

Leveraged
existing sales
infrastructure and
physician
relationships

Developed local
commercial plan:

engaging local
KOLs, physicians
and consumers

Current distributor of Dysport in Serbia for
Ipsen

#1 sales position in toxin market (Botox #2)

Continuing to grow overall market and
product sales (20% growth 2013 over 2012)

Distributor of Aloxi in Croatia for Eisai

Captured 30% market-share by year 2, 50%
market-share by year 4

Doubled overall market from launch to year 4

Valeant's Emerging Market Success will Drive Growth

~950

~850

2011

+11%

p.a.

2013

~1,050

2012

~980

~670

~2,500-2,700

+55%

p.a.

2014

2013

~1,480

2012

2011

Valeant Emerging Market Growth

Allergan Emerging Market Growth

Growth USD

12%

11%

46%

51%

Revenue (\$M) (includes acquisitions)

Revenue (\$M) (includes acquisitions)

27

76%

Source for Allergan: 2013 annual report

Expectation to drive significant revenue synergies with Valeant commercial footprint

Valeant + Allergan a leading portfolio in Consumer

Healthcare

28

Leading eye health
portfolio

Strong dermatology
portfolio

Global portfolio of
local brands

5-year market
growth CAGR of
6-7% vs. 3%-4%

for overall
pharma market

Accelerate
Allergan's
Refresh growth
by leveraging
Valeant's top 15
consumer
infrastructure
Valeant Products
Allergan Products
Source: IMS, EvaluatePharma

Valeant + Allergan a leading portfolio in Dental

29

Anti-infective and
tissue regeneration

Fast professional
whitening option

Fast-acting lidocaine

5-year market
growth CAGR of
6-7% vs. 3%-4%

for overall
pharma market

Largest Rx sales
force and
presence

Significant
opportunity to
add products

Significant
aesthetics
opportunity
Source: IMS

What is a durable healthcare product?

Products with similar characteristics to branded consumer products

Established brand names with brand equity

Lack of reliance on patent or regulatory exclusivity

Physicians or patients are making the purchasing decision

Mostly cash or 3 party commercial pay

Within consumer goods, healthcare OTCs offer the most attractive margins

Included product categories

Physician-dispensed products (e.g., aesthetics, IOLs, contact lenses, dental products)

Consumer products (e.g., Biotrue, Renu)

Emerging market branded generics, OTCs, and innovative products

(e.g., Bedoyceta, Bioscard, Monopril)

Off-patent brands & generic drugs (e.g., Virazole)

30

rd

85% of Valeant products are durable

31

Total 2014E

8.5

1.3

On-Patent

Rx Pharma

Off-Patent

Rx Brands

1.7

Emerging

Markets

3.1

Consumer

Products

1.0

Physician

Dispensed

1.5

Revenue (\$B)

Non durable

Durable

Source: Valeant management estimates

Attractive Mix of Durable Products

Durable product portfolio

Durable

Valeant = \$8.5B

Allergan = \$6.9B

Non-Durable

32

Combined company

Non-Durable

Durable

15%

60%

40%

Durable

Non-Durable

74%

26%

PF = \$15.4B

Source: Valeant management estimates

85%

Attractive Payor Mix
Manageable government pay
Cash/Private
Reimbursed
25%
Government
Reimbursed
75%
Valeant = \$8.5B
35%
65%

Allergan = \$6.9B

Government

Reimbursed

Cash/Private

Reimbursed

33

Combined company

Cash/Private

Reimbursed

Government

Reimbursed

70%

30%

PF = \$15.4B

Source: 2013 annual reports and Valeant management estimates

Dr. Ari Kellen
Executive Vice President and Company Group Chairman
34

Respective R&D portfolios

Valeant

Allergan

Upcoming US

launches

Number of launches

Peak sales potential

19

\$1.3-2.3B

3

\$350-500M

Late-stage pipeline

Number of projects

Peak sales potential

7

\$1.5-3.5B

6

\$500-750M

R&D spend

Expected 2014

\$250M -

\$300M*

\$1.1B

35

Source for Allergan: analyst estimates

*2014 exit run-rate of \$200M

Valeant US Launch Products (1/2)

derm and aesthetics

Product

Category

Description

Expected launch date

Est. peak sales (\$M)

Bensal HP®

Derm

Dermatitis, wound

healing

Re-launched

25-75

Luzu®
Derm
Topical antifungal for
athlete s foot
Launched
50-75
Neotensil
Aesthetics
Topical product for
under-eye bags
Launched
80-100
Obagi360
System
Aesthetics
Skincare kit for women in
their 30 s
Launched
10-30
Retin-A Micro®
.08%
Derm
Topical treatment for
acne
Jun-14
20-30
Jublia®
Derm
Topical antifungal for
onychomycosis
Q3 2014 (pending FDA
approval)
300-800
Ideal Implants
Aesthetics
Breast implant
Q3 2014
25-75
Hyaluronic acid for lips
Aesthetics
Small particle filler
Q4 2014
20-30
Onexton
Derm
Topical treatment for
acne
Q4 2014
50-75
36

Source: Valeant management estimates

Valeant US Launch Products (2/2)

eye health,
consumer, and oral health

Product

Category

Description

Expected launch date

Est. peak sales (\$M)

enVista

inserter (lens)

Eye Health

Further enhancements

Launched

40-50

PureVision

Presbyopia

Eye Health

Daily contact lens

Launched

20-30

Victus

enhancements

Eye Health

Multiple enhancements

Lens fragmentation

2H 2014

100-200

Ultra

Eye Health

Silicone hydrogel

monthly lens

Launched

300-400

BioTrue®

multifocal

Eye Health

Daily contact lens

May-14

60-80

Trulign

expanded

ranges (lens)

Eye Health

Broader range of powers

Q2 2014

40-60

CeraVe®

baby line

Consumer

OTC moisturizer

Launched

15-20

Peroxyclear

Consumer

Peroxide based contact

lens solution

Launched

50-70

Ossix®

Plus

Oral Health

Dental membrane

Launched

10-20

Onset®

Oral Health

Dental analgesic

Launched

40-50

Total

\$1,255M-2,270M

37

Source: Valeant management estimates

2 for

Allergan Launch Products

Product

Category

Description

Expected launch date

Est. peak sales (\$M)

Ozurdex

Eye Health

DME

Expected 2014

100-150

Levadex

Neurology

Migraine

Late 2014/2015

200-250

Botox

Derm/Aesthetics

Crow's Feet

Launched

50-100

Total

\$350M-500M

38

Source: analyst estimates

Valeant Phase III portfolio

Product

Category

Description

Expected launch year

Estimated peak sales
(\$M)

Brimonidine

Eye Health

Eye Whitening OTC

2016

300-400

Latanoprostene bunod

Eye Health

Glaucoma

2016

400-1000

MIM-D3

Eye Health

Dry Eye

2017

400-1000

Ultra Multi Focal, Toric,
and Plus Powers

Eye Health

Contact Lens

2015/2016

50-100

IDP-118

Derm

Psoriasis

2017

200-300

Emervel

Aesthetics

Fine lines and wrinkles

2015

100-200

Emerade

Allergy

Anaphylaxis

2016

100-500

Total

\$1,550M-3,500M

39

Source: Valeant management estimates

Allergan Phase III portfolio

Product

Category

Description

Expected launch year

Estimated peak sales

(\$M)

Restasis EU

Eye Health

EU Approval

2015

100-200

Botox

Neurology

Juvenile Cerebral Palsy

2015/2016

100

SER-120

Urology

Nocturia

2016

50-150

Aczone X

Derm/Aesthetics

Acne

2016

50-100

Latisse EU

Derm/Aesthetics

Eye lash

2015

100

Latisse

Derm/Aesthetics

Brow

2017

100

Total

\$500M-\$750M

40

Source: analyst estimates

Our observations on Allergan R&D

~80%+ of Allergan current revenue was sourced externally and ~50% was originally sourced prior to 1998

Based on our project-by-project estimates (verified by 3 party consultants), bringing Allergan line extensions and lower-risk development (since 1998) to market would have cost ~\$2B (approx. \$125M per year) under the Valeant model

Over this time period, Allergan spent \$9.5B, including on higher-risk programs

Allergan R&D track record includes ~35 failures over this same time frame

The industry track-record on R&D over the past two decades is also not impressive

41

Source: annual reports

rd

Despite \$9.5B in Allergan company's R&D since 1998,
~80% of 2013 revenue is externally acquired

Product

Launch Date

2013 Sales

(\$M)

Origin

Botox

1989

~1,990

Purchased in 1987 from physician originator,
developed as a treatment for Strabismus
Alphagan
1996
~220
Acquired from Pfizer
Tazorac
1997
~90
Developed in house
Juvederm
2000
~300
Acquired in Inamed purchase in 2005
Lumigan
2001
~630
Developed in house
Restasis
2002
~940
UGA in 1993; subsequently co-licensed, co-
developed, and co-marketed with Inspire
Pharmaceuticals
Aczone
2005
~140
Bought from QLT in 2008
Combigan
2007
~250
Combination product leveraging Alphagan
Latisse
2008
~100
Fortunate side effect of existing product (Lumigan)
Breast implants
NA
~420
Acquired in Inamed purchase in 2005
Other dermal fillers
NA
~140
Acquired in Inamed purchase in 2005
SkinMedica
NA
~80
Acquired in SkinMedica purchase in 2012
Source: annual reports, FDA, EvaluatePharma, press searches
42

Opportunity to deliver same R&D output at lower cost

Cumulative Allergan

R&D spend since 1998

\$9.5B

~\$2.0B

Estimated cost of
delivering line extensions
and lower-risk products
under Valeant model

Examples

43

Source:

annual

reports,

Valeant

management estimates,

3

party consultant estimates

~10 Botox indications

Restasis
Combigan
Latisse
Tazorac
rd

Allergan has had at least 35 R&D failures since 1998

44

Source: EvaluatePharma

5

11

3

10

6

Pre-Clinical

Phase II

Research project

Phase III

Phase I

Abandoned / Suspended R&D Projects by Phase

Ophthalmic RNAi

Retinoic Acid Metabolism

AGN / NRX 194310

AGN 197075

AGN 199981

PS388023

AGN
207281

AGN 195795

AGN 201781

AGN 210669

AGN 210676

AGN818

NRX 195183

Sima-027 (AGN 745)
Examples

Source: Diagnosing the decline in pharmaceutical R&D efficiency , Jack W. Scannell, Alex Blanckley, Helen Boldon & Brian
Discovery 11, 191-200 (March 2012); Allergan 10Ks, annual reports

Industry R&D productivity vs. Allergan spending

1000
100
10
1.0
0.1
2010
2000
1990
1980
1970
1960
1950

Overall trend in R&D efficiency

Allergan R&D spend trend (\$B)

1.5
15E17E
1.2
2010

0.8
1.1
05
0.4
0.8
2000
0.2
95
0.1
1990
0.1
13
1.0
45

Howard Schiller
Executive Vice President and Chief Financial Officer
46

Operating model differences (1/2)

47

Valeant

Allergan

Benefits of Valeant
model

Commercial

Direct customer-
facing promotion

(70% total
headcount)

Heavy investment in

marketing
Clear ROI and
value of dollars
spent
Organization
Decentralized,
local,
empowered
business owners
Rapid-decision
making at
local/customer
level
Centralized, global
& regional
organizations
Heavy corporate
focus and spend
Gold-plated
approach
Quicker, better-
informed decisions
made close to the
customer
Small, lean and
focused corporate
center

Operating model differences (2/2)

48

Valeant

Allergan

Benefits of Valeant
model

Capital

Allocation

Low risk, in-line
and late-stage

assets

Strict price
discipline
Higher-risk, earlier-
stage assets
Less sensitive to
price paid
Higher returns on
capital and faster
paybacks
Easier to
understand success
and track record
R&D
Low-risk, late-
stage projects
(line-extensions)
2-3% of revenue
Early-stage, risky
programs (limited
success)
Similar emphasis on
line-extensions but
at ~4-5x the cost
Low-risk
investments
(eliminates risky
early stage
research)
Focus on outputs

Valeant focuses on selling over marketing
Over 70% of non-manufacturing
employees in sales-based roles (# of
reps)
North America: 1,700
Asia: 1,900
Europe: 2,300
LATAM: 800
Major sales forces (# of reps):

US Eye Health: 700
Russia/CIS: 660
China: 640
Mexico: 550
Poland: 400
US Aesthetics: 340
Canada: 238
US Derm: 200
Dental: 150

Investment in sales
professionals to drive long-
term relationships & create
brand equity with medical
stakeholders

Lower emphasis on Rx
marketing due to industry
dynamics:

Narrow option on
marketing messaging
(e.g., on label)

Strict regulatory and
compliance requirements

Different focus & commercial
model for consumer products

Detail to physicians for
professional
recommendation

Supplement with high-ROI
DTC campaigns (e.g.,
Occuvite TV ads)

49

Recent Investments in field force to drive organic growth

US Aesthetics

340 reps in 2014 up from 49 reps in 2012

Dental

150 reps in 2014 up from 100 reps in 2013

Russia/CIS

660 reps in 2014 up from 500 reps in 2013

Poland

400 reps in 2014 up from 360 reps in 2012

Philippines

85 reps in 2014 up from 49 reps in 2012

Contents	
Financial Rationale	
Strategic Rationale	
Synergy Overview	
Potential Social Issues	
Antitrust, Due Diligence & Contract	
Pershing Square Involvement	
Valeant 2014 Outlook	
Next Steps	
51	

Overview of combined company cost synergies

Annual

cost

synergy opportunity of \$2.7 billion +

tax +

revenue synergy

52

Value

Source of Synergy

SG&A Synergies

~\$1,800 million

Rationalize US & Corporate HQ

Eliminate regional HQ

Decentralize organization by eliminating unnecessary global functions

Reduce duplicate external spend

Align to Valeant advertising and promotion model and spend

Maintain strong field force presence

R&D Cost

Synergy

~\$900 million

Apply Valeant approach to on

going R&D

Focus on output not input

Target low

-risk projects

Continue high-probability programs such as line extensions

Continue to in-license late stage/launch products (e.g. Emerade,

Neotensil, Luzu)

Rationalize core R+D infrastructure

Tax Synergy

Combined high single-digit

tax rate

Revenue Synergy

Acceleration of Allergan in emerging
markets

Acceleration of Allergan OTC

Acceleration of Valeant Aesthetic assets ex-US

Additional product growth opportunities

Synergy breakdown
2014 Combined Cost
(\$M)
Synergies
(\$M)
% Reduction
SG&A
~\$4,500
~\$1,800
40%
R&D
~\$1,300
~\$900
69%
Manufacturing
(COGS)

~\$3,200

\$0

0%

Total

~\$9,000

\$2,700

30%

Note: Each company may categorize costs differently

53

One-time cost of synergies is assumed to be 40% or

~\$1.1B, not including transaction fees and expenses

Source for Allergan: analyst estimates

Contents	
Financial Rationale	
Strategic Rationale	
Synergy Overview	
Potential Social Issues	
Antitrust, Due Diligence & Contract	
Pershing Square involvement	
Valeant 2014 Outlook	
Next steps	
54	

Flexible and willing to discuss any social issues
Flexible on all social issues
Board composition
Senior management team
US HQ location
Company name
Shareholder value is our primary consideration
55

Contents	
Financial Rationale	
Strategic Rationale	
Synergy Overview	
Potential Social Issues	
Antitrust, Due Diligence & Contract	
Pershing Square Involvement	
Valeant 2014 Outlook	
Next Steps	
56	

Antitrust, Due Diligence, and Contract
Antitrust
Antitrust
overlap
analysis
performed
by
Skadden
Arps,
Sullivan

&
Cromwell,
and
Osler, Hoskin & Harcourt (Canadian counsel)
Identified areas of overlap
No overlap areas material to transaction
Willing to accept all antitrust risk
Dysport and Restylane/Perlane identified as key potential divestitures
Status: Engaged in active discussions with multiple parties regarding
divestitures
Timing: Deal expected pre-closing
Due diligence
We know the businesses well due to overlapping business segments
Conducted significant outside-in market research and due diligence
Conducted public company legal and corporate due diligence
Merger contract
Provided merger contract to Allergan and publicly filed
Fair and reasonable deal protection provisions (e.g., break-up fee)
Standard public company closing conditions

57

Contents	
Financial Rationale	
Strategic Rationale	
Synergy Overview	
Potential Social Issues	
Antitrust, Due Diligence & Contract	
Pershing Square Involvement	
Valeant 2014 Outlook	
Next Steps	
58	

Pershing Square: Allergan's largest shareholder
supporting deal
Pershing Square with 9.7% stake in Allergan
Will elect to take all stock in the transaction
Pershing Square has done extensive due diligence on
Valeant and is committed to the deal
Committed to be a significant long-term shareholder
of combined company
59

Contents	
Financial Rationale	
Strategic Rationale	
Synergy Overview	
Potential Social Issues	
Antitrust, Due Diligence & Contract	
Pershing Square Involvement	
Valeant 2014 Outlook	
Next Steps	
60	

Guidance Update

Q1 expectations:

Continued strong performance

Cash EPS expected to meet/beat analyst consensus

Negative FX impact vs. budget of \$20M+ in top-line revenue and ~\$0.04 in Cash EPS

Full year guidance

We are updating guidance based on performance to date and expectations for the remainder of the year including PreCision close

Cash EPS increased to: \$8.55-\$8.80, from: \$8.25-\$8.75

Revenue

increased

to:

\$8.3B-\$8.7B,

from

\$8.2B

-

\$8.6B

Cash flow from operations increased to: \$2.7B

\$2.8B,

from \$2.4B -

\$2.6B

Negative FX impact vs. budget of ~60M in revenue and

~\$0.15 in Cash EPS based on current rates

61

Source for analyst consensus: Thompson/First Call

Contents	
Financial Rationale	
Strategic Rationale	
Synergy Overview	
Potential Social Issues	
Antitrust, Due Diligence & Contract	
Pershing Square Involvement	
Valeant 2014 Outlook	
Next Steps	
62	

Next Steps

We would expect to engage in discussion with the company to negotiate the transaction

We intend to meet with shareholders from both Valeant & Allergan

We encourage Allergan shareholders to communicate views to both Valeant and Allergan management

63

Why the transaction is compelling for Allergan shareholders

Compelling premium and expected long-term returns through continued ownership

Each Allergan share receives: \$48.30 in cash + 0.83 Valeant shares

43% ownership

Continued high single-digit organic growth

\$2.7B+ in annual cost synergies + additional revenue synergies

High single-digit tax rate

Yearly \$0.20 per share dividend expected

19 US launches in 2014 with estimated peak sales potential:\$1.6B-2.8B

Shareholder friendly capital allocation: accretive business development, debt reduction, and

share buybacks

Diversification

Greater portfolio diversification with increased durability

Reduced reliance on blockbuster patents

Low risk R&D

Focus on output vs. input

Development of line extensions and reformulations

Strong late-stage pipeline with estimated peak sales potential of \$2.0B-3.2B

High-return approach to business development

Strong track record of high-return business development

Target 20%+ IRRs at statutory tax rates and quick payback periods

Multi-billion dollars per year in free cash flow to deploy

64

Valeant + Allergan

strategically compelling transaction

Unrivaled portfolio in Ophthalmology, Dermatology, and Aesthetics

Great for patients & physicians around the world

High single-digit organic growth rate for foreseeable future

25%-30% pro forma 2014* Cash EPS accretion, year 2 and beyond expected 15-20%+ Cash

EPS growth depending on deployment of free cash flow

\$2.7B+ in annual operating cost synergies, not including significant revenue synergies

~80% in first 6 months with the remaining ~20% in the following 12 months

Maintaining \$300M+ in annual R&D spend to complete high-probability projects

High single-digit tax rate for combined company in addition to cost synergies

Pershing Square is Allergan's largest shareholder with a 9.7% stake, supporting the transaction and will elect for 100% stock

Delivered merger agreement, no antitrust uncertainty, committed financing for \$15.5B

Flexible with any and all social issues

Valeant

1

st

quarter

Cash

EPS

will

meet/beat

analyst

consensus

expectations, outlook for

rest of year strong, raising Cash EPS guidance from \$8.25-\$8.75 to \$8.55-\$8.80, despite negative FX headwinds of ~\$0.15 Cash EPS since budget

65

*

Assumes

January

1

2014

close

with

full

synergies

day

1

Source for analyst consensus: Thompson/First Call

st