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VRX.TO - Valeant Pharmaceuticals International, Inc. Investor Meeting to Discuss the Merger Proposal with Allergan Conference Call

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MAY 28, 2014 / 12:00PM, VRX.TO - Valeant Pharmaceuticals International, Inc. Investor Meeting to Discuss the Merger Proposal with Allergan Conference Call

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PRESENTATION

Operator

Forward-looking statements. 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 the Valeant Pharmaceuticals International, Incorporated offer to buy Allergan, Incorporated, 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, strategies 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, design, 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 uncertain that change over time and could cause actual results to differ materially from those describe 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 and the Canadian Security Administrators 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 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, strategies and plans; the effects of government 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 cash on hand, free cash flow or access to the capital or credit markets; our ability to comply with all confidence 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 the communication or to reflect actual outcomes.

Additional information. 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 Pharmaceuticals International, Incorporated has made for a business combination transaction with Allergan, Incorporated. In furtherance of this proposal and subject to future developments, Valeant and Pershing Square Capital Management LP and if they negotiated transaction is agreed, Allergan, may file one or more registration statements, proxy statements or other documents with 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 statements, 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 statements, 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 by the SEC by Valeant and or Pershing Square through the website maintained by the SEC at www.SEC.gov.

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 materials in respect of Allergan filed with the SEC by Valeant on April 21, 2014 and May 28, 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.

Mike Pearson - *Valeant Pharmaceuticals International, Inc. - Chairman and CEO*

Good morning. Thank you. Last night was pretty busy. We announced the divestiture of our injectables to Galderma and Nestle. We believe this is really a win-win transaction. It allows Galderma to have global rights to Restylane, Perlane, Dysport and pick up the Sculptra rights and from our vantage point, it -- they were the natural buyer. By selling it ahead of time, we have eliminated one more roadblock in terms of our integration with Allergan and we were able to get a price that was more than five times sales so we think it also created real shareholder value.

We also sent out a revised offer to Allergan which, based on a lot of conversations with many of you in this room, Howard and I have had a chance to talk to many, many Allergan shareholders and we continue to be willing to talk to anyone. And the real message we continually got back is Allergan shareholders want this deal to occur but they wanted a higher price and a number of them also wanted to keep the optionality of DARPin. So Howard will talk more about the details but we think with the revised offer we gave this morning that it addresses both of those concerns.

But what I am most excited about today is this morning. I am very, very proud of the team that we have assembled at Valeant. Today you get to meet them all. I think that you will leave as impressed as I am with the team we have in place and you will have a much deeper understanding of our operating model and why we believe it is sustainable for many years to come.

So what will we show today? First, perhaps most important, that our extremely talented and hard-working business leaders who you will see today working in a decentralized model which empowers them are relentlessly focused on delivering organic growth on a consistent basis. We are going to show by going through example after example after example that when we buy a platform asset, we have either maintained the growth or in most cases, we have accelerated the growth.

Third, that Bausch + Lomb actually is growing. It is growing organically over 10% since acquisition. Most of that, over 90% of that, is volume, not price and that we remain on track to actually over-exceed our cost synergies. More important, you will see from our leaders how they are doing this.

Next, that our R&D model based on output rather than input is actually more productive than most of the models out there in the pharmaceutical industry today. It is evidenced by the 19 products that were launched in the US but we will also show how we are doing around the rest of the world.

We will talk about our late-stage pipeline. We will talk about our late stage pipeline by business and by market which should give you more confidence about the durability of our operating model.

We will talk about how we believe we can both fulfill Allergan s post-marketing requirements as well as continue the spend on Botox and other new indications and formulations just like we asserted a couple of weeks ago.

We are going to give you a summary of our capital deployment and how we have done since I joined the Company in terms of the deals that we have done, how much we paid for those deals, how much cash we have generated and you will see that we are well, well ahead of our deal models. And our deal models again as I think many of you know, were structured to get at least a 20% return at statutory tax rates.

Finally, we are going to talk about how we believe our operating model will accelerate the growth of Allergan products, certainly in the emerging markets and actually I believe through the decentralized model throughout the world.

Before we get into the details though, I just want to take a couple of minutes to go back to when I joined the Company. I had worked at McKinsey for about 23 years primarily in the pharmaceutical medical products and OTC consumer spaces. I had the privilege of working with many of the large pharmaceutical companies out there today, many of the management teams that are still in place and it was a great experience and I learned an awful lot.

I worked across both pharma, consumer, medical devices and the payer side and as importantly across all issues, strategy, launching products, operations and R&D. And I learned a great deal about what these companies do well and also what some of the opportunities were in terms of a new company.

First of all, I just want to emphasize that this is an industry where it is composed of really great people, working to do good things for patients, for doctors and actually for society and when I look at our employees, there is sort of a noble purpose to working in the pharmaceutical industry and that is terrific and I think that happens at our Company, it happens at all companies.

In terms of the formula, when I was at McKinsey, we used to talk about how everyone has the same strategy and it made sense. They have the same strategy because it worked for many, many years. The first was to spend as much as you could afford to spend on R&D because that gave you more shots on goal and when R&D was productive, more shots on goal led to more products and more shareholder value creation.

Companies relied on intellectual property. The durable assets were basically IP-related monopolies so they could create for 15, for 18, for 17 years that when you got a product approved, no one could come in and attack it. So the old durable products were patented products.

The third is companies really did not want to have any assets that declined. So again from that standpoint, it didn t matter what return they got on those assets, they just did not want declining -- there was a belief that investors only paid for growth, not for cash on cash returns.

Everyone focused on the largest therapeutic areas, various unmet needs, largest products. I still think we see that today and if we look at oncology, HCV, people are all looking for the same space.

Next, they built centralized global functions which made sense -- sales, marketing, R&D because they were supporting a blockbuster strategy, developing a product that they could sell in every country of the world and they wanted to centrally control that.

Finally, they built global infrastructure and the support functions, IT systems, regulatory and again since it was the same products being sold everywhere in the world, that made a lot of sense.

All this worked really, really well when R&D productivity was high, when pricing was basically you are free to do whatever you wanted, that intellectual property was basically respected and honored, managed care was weak, the reimbursement challenges were limited, and the regulatory oversight of promotional practices was limited as well.

But the world has changed and when I looked at what was happening in the industry and what could be some of the key elements of a new model that would have worked better, a number of points underpinned our strategy. First is to eliminate the bureaucracy and slow decision-making. With these big centralized global functions, one of the necessary consequences was bureaucracy and people became very risk-averse, did not want to make quick decisions.

It was clear to me that if we could become a superior allocator of capital, we could really make a difference in terms of shareholders returns. R&D had to shift, the model had to shift. There has been lots and lots of reports, independent reports, talking about how R&D on average is no longer productive. I think most people accept that. So it is begging for a new model and that is hopefully what we have come up with.

Overcapacity of manufacturing and R&D, a lot of empty plants, a lot of extra R&D people running around this country and other countries and a recognition I think that if you buy outside, if you outsource when an industry is in an overcapacity situation, you can get it at marginal costs, much lower.

There was a bias in most pharma companies that in-house resources are always superior and cheaper and we do not believe that. We have some great people at Valeant but we realize there are a lot of great people outside of Valeant and we need to take advantage of that.

Again, the focus on smaller products rather than larger products. If everyone is focusing on larger products that means the economics of a smaller product in terms of being able to buy them and also in terms of competing would be to our advantage.

Cost reduction; a lot of cost reduction in this industry but most of it was marginal. At McKinsey, we worked on a lot of these programs, not real cost-cutting, not really getting to an efficient organization.

And then probably the most important observation was recognizing that the next set of durable assets would no longer depend on IP. They would be more like a consumer product, more built on brands and local brands. That was probably biggest insight that we had into how the industry was going to change.

And then finally, a belief that like in most industries that have been successful for years and years, that change usually comes from the outside. If we think of airlines, steel, autos, any industry you want to think of, usually as industries change, usually it is an outside company, a new company that is going to be the disruptor, sort of the innovator s or the attacker s advantage.

So quickly, what is our strategy and operating model? First, the same as every pharmaceutical company s, great people who care about patients and doctors only in our case people work very, very hard and they wear multiple hats.

A different operating model; we are committed to R&D but we are focused on outputs, not inputs. We have a lean cost structure, a decentralized organization. We are international, not global. We pick markets, geographies and therapeutic areas that are growing faster than average. That way if we are just averaging those, we will grow above average.

Smaller assets, durable products, therapeutic areas and geographies where relationships with physicians really, really still matter, where the recommendation of the doctor to the patient makes a real difference in product choice.

Finally and maybe most important is capital allocation decisions through a shareholder filter. Everyone in Valeant is an owner or acts like an owner and if we keep that magic, we are going to make good decisions, good decisions for shareholders consistently in terms of how we spend your money and how we allocate your capital.

And then finally, the relentless focus on organic growth and creating shareholder value.

Next, let me just talk about capital allocation before we get into the heart of our presentation. We strive to deliver consistent shareholder value, returns over the medium and long term. That is our commitment to you. We are all large shareholders. That has been our track record.

Most of this is by finding durable assets which represent about 85% of what we have. Assets that will continue to grow year after year after year. Today my colleagues are going to talk about those durable assets in each of their different businesses.

However, we will continue to buy shorter-lived assets where we can generate exceptional short-term financial returns, basically risk free. These are often products near the end of their life cycle, we can pick them up for one times sales, 1.2 times sales and may have four years left of patent life. Usually you don t need much promotion at all. Often there is maybe even a pricing opportunity. So those can deliver four and five times cash flow returns. Those are terrific deals for us to do if you are one of our shareholders.

The issue is sometimes they will mask true underlying organic growth in some years when they do go off patent expiry. So our investors who I have talked to have encouraged us to keep doing those deals. Most of our effort is going to be on the durable products but it does mask the organic growth from time to time and that is what has happened over the last two or three quarters is we lost patent protection on four of our ten largest products.

But an investor that wants to do a little bit of work will see the underlying growth of our Company is 7%, 8%. It has been since the day I joined and we believe it will be for the years to come.

So today s meeting. Today you will hear directly from our management team. I am confident that this will demonstrate our strategy, bring it to life in terms of what we are doing that it is a tailored strategy, that we are not just investing in salesforce, that we are investing across the marketing spectrum, that we are not slashing and burning R&D. We have a very thoughtful approach to R&D and an amazing pipeline country by country by country.

Finally, we will reveal the excitement and commitment our people have to patients, to doctors and to the noble purpose in which our industry has always had a reputation for and I think sometimes doesn t get attributed or credited to Valeant.

Our presenters; we have published this before. They are all here today. Steve Sembler who runs our OraPharma business; Deb Jorn, who runs our Medical Dermatology; Dr. Pavel Mirovsky, who runs all of Europe which is at this point about a $2.5 billion business; Dr. Leszek. Leszek has been with me from the very beginning and he is terrific. He runs Poland.

John Connolly who runs Russia; Tracy Valorie, who came from B+L and will talk about the US B+L performance; Joe Gordon who also came from B+L, who actually runs our whole Consumer Business; Gaelle Waltinger, also from B+L who runs Western Europe; Tom Appio, also from B+L who runs North Asia; Dr. Tage -- Tage, he runs R&D. So Howard, you know.

And we actually brought Theo Melas-Kyriazi. Where s Theo? You want to stand up? So Theo is here he has been on our Board since well before I joined and we thought it would be useful because our Board is very, very involved in our capital allocation. He chairs the Financing Transactions Committee. He has also been on the Audit and Risk Committee for over a decade. So we wanted to make him available to all investors, questions about how we do deals, how we do accounting and we thought it would be great to have him here. So please grab him during or after the meeting.

Our agenda, I m going to spend just a few more minutes and move on to more exciting speakers about the first three years at Valeant. Then we are going to talk about developing new market platforms, then we are going to talk about the emerging markets, then we are going to give you an update on B+L brought to you by people who came from B+L.

We are going to talk about R&D. Howard is going to talk about our track record in terms of capital allocation and an update on the overall B+L deal and then he will also give some more details about our revised bid.

And then finally again, we worked on this a little bit last night, we did get the 8-K from Allergan yesterday morning and there were a number of misleading and just errors in that and so we just want to set the record straight in terms of some of the facts that were put in that report. So I will spend some time at the end going through that.

Then it may be noon tomorrow by the time we finish this but we will take questions.

So the first three years. I will run through this quickly. When I joined Valeant and probably most people don t remember the story at this point, it was a very broken company. It was losing money, it was focused on what many specialty companies did, which was a big US pipeline of two products that were going to save the day. And even though it had some pretty interesting assets around the world like Poland and Canada and Mexico, the management was just using those units as cash cows to continue to fund the US.

It was also a very small company with about $800 million in revenue and I think it operated in like 92 countries so it was completely overextended. So we divested some of the less attractive pieces, Western Europe, Asia, although we liked Asia; Asia was -- the portfolio we had was very weak. Argentina was losing money. We invested in some of our stronger geographies, Canada, Poland, because of the strong management team that was profitable and making money and growing and then we turned around Mexico and Australia largely because we couldn t sell them to anyone. They were in such bad shape no one wanted them so we reinvested and they are two of our more important geographies today.

We significantly reduced R&D spend. We had a lot of in-house R&D. We got rid of that, we partnered these products one to Glaxo which allowed us to extract some economics out of them. And then we redeployed cash in primarily two ways. One is we bought back a bunch of shares and converts and then we started making acquisitions.

So I m not going to go through this slide but it does show a pretty significant financial turnaround between 27% -- in February 2008 and if we look at 2009 in terms of growth, profitability, cash flow, etc.

So our early acquisitions. We had four significant acquisitions, Coria, Dow Pharmaceutical Services, which was largely a formulation company in the area of dermatology, turns out ophthalmology as well, Aton and Biovail, which was the platform that gave us our corporate structure, our tax rate. So those are the number of quarters owned and this is our organic growth. Organic growth is the same products year-on-year growth. So Coria was 27% at this point in time, Dow 12%, Aton 33%, and Biovail has basically been flat.

So the Coria story. Again, these are the numbers. The key products were CeraVe and Atralin. This has nothing to do with price, there is no price, this is all -- CeraVe cost basically the same. We may have increased price 2% or 3% since we bought it and what we have done is built CeraVe through our dedicated field force in dermatology. We have expanded our field force and under Joe s leadership, he will talk about how the growth in CeraVe is actually accelerating.

Atralin was a very small product and again we started to promote it and Atralin today is a nice size, $40 million-ish product for acne which has done extremely well.

Moving on to Dow, Dow basically had some service revenue when we bought it but since that time, Acanya. Acanya came from Dow. That was our first product that we got approved, we launched it, today it is a $70 million plus product again continuing to grow. CeraVe, we used Dow to reformulate and expand a lot of CeraVe indications.

Probably the most exciting part of Dow though is yet to come. Jublia, which we hope to get approved in June, and we are certainly getting very positive feedback from the FDA at this point. That could be a $300 million to $800 million product in the US alone.

Onexton, which we filed and we should get approval in September or October. Again that will be another $50 million to $100 million acne product. And RAM ..08%, which we bought from J&J, we came out with a new strength at RAM which we have launched, also came out of Dow.

Then if we look at the pipeline in the future, we have an exciting psoriasis product, and an exciting acne product but Dow continues to be an engine for a number of our products in the developed markets in the area of dermatology.

And finally Aton. Aton we acquired right before we announced the Biovail acquisition and you can see the growth has continued to be quite spectacular. It was our first entry into ophthalmology so now the Aton products report to Tracy and they continue to grow.

Then we picked up an orphan drug business, a small orphan drug business that we have continued to -- using nonpersonnel promotion -- grow consistently over that time.

So again, these are not selective, these are our four acquisitions that we made of size over the first three years and again probably the best ones to talk about in terms of, it is nice that B+L is growing, but it has been growing for three quarters. For these we have significant time behind us and most of these have paid back already in terms of cash on cash returns.

But the Biovail merger was a different animal. Global sales of $820 million when we purchased; we actually technically got purchased by Biovail and it is about the same now. It has been largely flat but we manage this for cash. In the US, they had a number of tail assets. There were attempts to promote them that didn t make sense so we have just run that as a cash business. Zovirax was large for a while until the LOE on that but Wellbutrin continues to chug along.

The Canadian business actually was a good business. It was about the same size as ours. That actually has grown at about 8% a year which is not a bad growth rate in Canada.

Most important though as I think maybe you are aware, we were able to get a corporate tax structure which took our effective tax rate from 36% overall to what was actually 3.1% which we hope to continue to work on and move lower.

In terms of our cash on cash return on Biovail, we paid $2.6 billion. The cumulative EBITA through the end of the first quarter is $2.4 billion so we will move past $2.6 billion either in the second or third quarter but more important is the estimate corporate structure benefits across the Company, another $2.5 billion. So basically this acquisition has created $5 billion on a cash outlay in 2010 of $2.6 billion. So again I think a good additional example of good cash on cash, good capital allocation.

With that, I am going to introduce Steve Sembler and Deb Jorn who are going to talk about dermatology and our dental.

Steve Sembler - *Valeant Pharmaceuticals International, Inc. and OraPharma - SVP, Neurology and Other Products*

Good morning, everyone. It is great to be here with you and share a bit about our platform growth for OraPharma, which is the dental platform that Valeant acquired in June of 2012.

Just by way of background, my name is Steve Sembler, I am the President of OraPharma and Senior Vice President for Valeant Neurology and Other Portfolio. I have been in the pharmaceutical industry for over 30 years, I won t tell you how many years over 30 years but over 30 years. As you can see in my background, I ve spent most of my career in Specialty Pharmaceuticals segments and have worked for some of the largest pharmaceutical companies in the world.

And what I can tell you, and I will talk about this during the presentation, is and, this tacks on to what Mike said, because of the way that the Valeant operating model works, you can absolutely come from large pharmaceutical mindsets and do things differently and actually accelerate your organic growth and profitability at the same time.

So why was OraPharma acquired in June of 2012? There are a couple of reasons and as you can see on this slide, many of them line up very, very well with the overall Valeant platform. A lot of similarities with this business versus quite honestly the Allergan business, the Bausch + Lomb business and others that we have purchased over the years.

First of all, the dental market is a very large market, it is over $20 billion in annual sales and it is growing at about 6% per year, primarily a cash pay audience, primarily doctor or dentist dispensed out of offices. Relationships are critical in this business as they are in all, but because of the cash pay component and the office dispense component, I would say key relationships are even more critical.

Big pharmaceutical products, big pharmaceutical companies aren t present so we really are in fact the only pharmaceutical company really participating in this market at this point in time and that gives us a huge leverage for additional growth and upside.

And last but not least, there is an opportunity to expand this platform outside of the United States which we have not done to date but we have plans to do so going forward.

So a couple of things on this slide I would point out. One, on the top half of this slide are some of the investments, the strategic investments that Valeant has made since the acquisition of OraPharma. And the bottom part I would say are more related to some of the things that we have done to better align our cost structure to improve the profitability part of that business.

So first and foremost if you see the first sub bullet, one of the things that Valeant liked when they bought OraPharma was we had the larger salesforce in the dental industry at that time, and at that time it was roughly 100 sales representatives. Because of the way that we have been able to accelerate our growth, and I ll show that in the next slide, since acquisition, they have actually shown a willingness to make significant additional investments in this platform to grow it even further, and in the first quarter of this year, we actually expanded our salesforce by 50%.

So we were the largest salesforce. We have actually accelerated that to get to even a larger customer base of customers and we now have 150 sales representatives in the field calling on dental practices.

We have significant investment behind something we call Rx Access. The primary platform product currently within the dentistry OraPharma business is a product called Arestin, which is used for treating periodontal disease. Part of the issue that we have with Arestin growth is historically it has been through buy and bill only i.e., dentist purchased Arestin and administered it in the office setting. They still do that. However, what we find is that when we can find out if patients have third-party commercial payer coverage through their medical benefits that they tend to get much more comprehensive treatment, a better treatment outcome and it is better for us as well in terms of the volume of Arestin that is utilized.

So we have put into place a very extensive third-party service to help with claims adjudication for patients that might have that type of opportunity and we continue to invest heavily in that and as you will see in a minute, that is one of the major growth drivers of volume for this business.

We have continued our relationships with what we call group dental practices. In the United States, there are about 35 to 40 large dental group practices and they have affiliations either through ownership or indirect affiliations with literally hundreds of dental practices in this country. It is a very, very important segment for us and one that we have people dedicated to calling, both at the corporate level and at the local level to make sure we are driving that growth.

And then on the bottom half of the slide, you see what we have done to better align our cost structure. We have paid very close attention with aligning our SG&A resources to support appropriate business needs. We have eliminated over time low return on investment, my term, initiatives for marketing spend and other things that historically have been put into the business, and then we have rationalized on an ongoing basis our OpEx spend to align revenue with profit growth objectives.

So this is literally the money slide. What I would like to do here is spend just a few minutes and walk you through historical performance. This is specifically for Arestin which again is the backbone product, the platform product so this is apples to apples over time. And what I would walk you through is how the performance on revenue was for Arestin several years preceding the Valeant acquisition, and then what we have done to really accelerate our growth on volume and profitability since acquisition.

So if you look at the 2008, 2009 timeframe, at that point in time OraPharma was owned by Johnson & Johnson and you actually see negative revenue growth around Arestin for those couple of years.

In 2010, Arestin was acquired and OraPharma was acquired by a private equity firm and although you see sales stabilize to some degree, you still had minimal to flat growth during those years.

And then in June, the second half of 2012 when OraPharma was acquired by Valeant, you see a rapid acceleration of volume, of revenue growth. 2012 we actually accelerated growth by 9% and then in 2013 compared to 2012, we actually grew by about 11%. So we went from basically a flat revenue base to, over the course of a year and a half, strong double-digit growth on the topline primarily driven by again a strategic investment in support of transitioning patients to our Rx Access program.

I will also tell you that we significantly increased our operating margins during that same timeframe and from 2012 to 2013 we took our operating margins for this particular business from 28% when the company was acquired in 2012 and last year we exited at about 49%, just under 50% operating margins for the business. And through the recent expansion of the sales force and other strategic investments we continue to make, we look for that rapid acceleration on profitability to continue even further in 2014 and beyond.

So just a few comments here on our pipeline and what I call growth prospects outside of our own platforms. So the interesting thing here is in the dental space, you will see significant investment has been made by Valeant to support an extended platform. As I mentioned earlier, the platform historically was really driven by one product, that product, Arestin. As you can see in 2013 through strategic investments, we actually bought a company that gets us into the teeth whitening space.

One of the other things I will tell you is that Valeant actually always looks for ways to maximize our own internal resources so we actually already manufacture a product called Xerese for treatment of cold sores. We started promoting that in the dental space in 2012 and we have actually doubled the market share of Xerese among dentists by our promotion. So we always look for ways to maximize and leverage those products.

But as you can see in 2014, we have already launched two additional product platforms, one in the pain management system and another in bone regeneration. And then going through the rest of 2015 and beyond, this is a combination of investments and acquisitions or in-licensing of new assets as well as lifecycle extensions of some of our current brands. So a very robust pipeline quite honestly building from what was just a few years ago a single asset.

Then as you look to the right-hand side of this slide, you can see some of the markets that I am focused on for additional expansion of the Company even further: bone regeneration expansion, oral hygiene, gum disease products that can help support and supplement the Arestin space, and then enamel strengthening products. And as mentioned earlier, we feel we still have significant expansion opportunities that really haven t been tapped yet outside the US market that we can capitalize on.

So one of the things that Mike asked all of us to do and you will see what we call our personal reflections in wrapping up our sections today. He wanted us to reflect briefly on what we believe the Valeant culture is and the operating model and how it works.

So as mentioned in my first slide, I spent 30 years of my career -- over 30 years in the big pharma world and what I can tell you is the thing that you have in the Valeant business model is one that gives you as a business leader intense focus on accountability, on responsibility if you are willing to accept it but if you are willing to accept those things, you have total autonomy to determine what products you want to bring into the Company, how you want to build out your platform and the strategic investments that you want to make to help further accelerate both topline and bottom line growth of your portfolio.

So I found this to be a very rewarding experience in the two years I have been here. I am very proud to be associated with Valeant and proud of the results that my team has been able to accelerate since acquisition.

So thank you very much for your attention this morning and with that, I will turn it over to Deb Jorn.

Deb Jorn - *Valeant Pharmaceuticals International, Inc. - VP, Marketing Dermatology*

Thanks, Steve. Good morning and thank you for joining us today. My name is Deb Jorn and I head up our marketing for medical dermatology in the US. I have been, like Steve, in the industry for over 30 years. I won t say how many; I am getting older.

In that time though I have had the distinct pleasure of leading the marketing and launch efforts for numerous multibillion-dollar brands across several therapeutic areas. I have extensive experience in both marketing to professionals and to consumers. In fact, many of the campaigns my team and I developed are award-winning but more importantly they have driven rapid growth of key brands.

My all-time favorite for those of you may remember the campaign was Antonio Banderas as the Nasonex bee trying to romance a flower when he had allergies.

I have worked in big pharma, small pharma and I have been part of tough turnaround situations. I have learned to do a lot more with limited resources.

The one thing I will reflect on as I joined Valeant was I was concerned wouldn t there be that effort behind marketing and I am happy to say there certainly is and I look forward to furthering each of these brands within the medical (technical difficulty).

And at Valeant since we have a large medical dermatology salesforce, we can leverage across other Valeant business platforms including our line of aesthetics which this morning may have changed -- we always are very dynamic at Valeant -- and also our important consumer brands. In fact, many of you may be familiar with our CeraVe line of the OTC products. To a large extent the success of that line is due to promotion to dermatologists by our medical dermatology representatives.

So how is Valeant doing in the marketplace? In 2011, we achieved the leadership position in medical dermatology. We remain the leader today and in fact, we continue to increase our leadership position. In addition, we rank number one in the two largest segments of that market and those segments alone account for 75% of the total market.

In addition, we are not dependent on a few brands. In fact, we have the broadest portfolio of branded products for dermatology in the industry. We treat the widest range of indications from acne to atopic dermatitis and many, many more.

We have been extremely successful. However every business faces challenges and for us, 2013 was one of those years. As Mike mentioned, four of our top 10 brands at Valeant suffered loss of exclusivity. Unfortunately for me and the team, those four happened to be in medical dermatology.

In addition, we experienced significant field force disruption as the result of integrating multiple companies in our restructuring efforts. Further, as everyone else in the industry has experienced, increasing managed-care pressures. But we have learned from our challenges and as I proceed, I will bring some of his learnings forward into future endeavors that we are doing.

What I am happy to say is that in 2014 we have returned the business to growth. We have stabilized, focused and energized the sales force. We are launching several new brands which I will talk about. We have returned many of our core promoted brands to growth. We have new managed care capabilities, we have launched additional access programs so that patients can get the medicines that their physician prescribes for them.

In addition, we have grown our medical affairs team, our medical science liaisons who provide physicians with information about our products. We have also conducted studies on the use of our products to further understand them. So we are really geared up in 2014 to restore growth.

So what type of growth are we talking about? It is important that we recognize that we have been able in 2014 to turn around our largest brand, Solodyn. We entered the year with 49%, branded share of the dermatology space. We are now up at 51% and as you can see, our competitors have issues. Doryx has been declining and Monodox is flat. We are very proud of this accomplishment.

Further, we continue to maintain greater than 80% share of the branded Clindamycin/BPO market with our brand, Acanya. Despite loss in some major accounts in managed care, we have been able to achieve this.

Further in the TCI space, we are rapidly closing the gap among dermatologists between ourselves and Protopic. In fact, in the overall specialty we have actually surpassed them with 53% market share.

We will be integrating the onset portfolio of products pending FTC approval and since we have learned about how to integrate and how to avoid disruption upon integration, we will be better prepared to integrate this business and our onset colleagues into Valeant.

But really what I would like you to see is how we are launching new products this year. I don t think there are too many companies in this particular space that can say they are going to launch five products this year. We will talk a little bit more in a few moments about Jublia. Luzu is for athlete s foot. We have some new acne products pending FDA approval and also Bensal for inflammation and irritation due to dermatitis.

Now I would like to share with you our latest launch campaign.

What we have in Luzu is a differentiated product, a product with a unique dosing that allows rapid treatment captured in our running man campaign. We have taken that campaign and done a surround sound with physicians using digital, our in-office detailed materials and many other ways to reach physicians.

We launched the product at the AAD in March and since then, we have held numerous professional education programs to get the word out rapidly and to grow this brand. We have also begun some consumer online advertising to patients who are seeking treatment for athlete s foot.

In just five weeks, we have captured 5% of the branded share within the athlete s foot market and we are very excited about that. Teams are geared up and we expect to continue that growth.

But I would like to end on one of our most important products. We are less than three weeks away from our action date from the FDA on Jublia for onychomycosis. Why are we excited about this product? It isn t often that you get to launch what has the potential to be the largest product in the Company and yes I am competitive. This is a 35 million patient in the US alone, 3.5 million scripts. We have a product that has a unique formulation that allows it to reach where the fungus lives and to kill it and we will look forward to both professional and consumer campaigns.

So to close out my session, Mike asked us to all reflect upon working at Valeant. I will just leave you with this. I love high-energy. I love accountability and I love rapid decision-making. All three are possible every day at Valeant and that is what allows us to drive such rapid growth in our businesses. Thank you.

Mike Pearson - *Valeant Pharmaceuticals International, Inc. - Chairman and CEO*

Thank you, Steve. Thank you, Deb. That was terrific.

I would now like to introduce part of our emerging market team. This is the European, Central and Eastern Europe. Pavel also has responsibility for Western Europe but Gaelle will be speaking later in the B+L section. I will match this team up with anyone in the industry. I got to know Pavel a few years ago when he joined us through PharmaSwiss. It became pretty clear pretty quickly that he was a much stronger leader for our business in Europe so we asked Pavel to stay. He has done a terrific, terrific job.

And I was talking to the Board I think last December and we all decided what was critical for our Company was to actually get Pavel to agree to sign up again so I think I flew over, met you in London, we agreed on a new contract so he is going to be here continuing to lead us in the future.

Leszek has been part of the team from day one. There are very few people left from the original Valeant but Leszek is one of them and proudly so. Poland was a great business when I joined Valeant. It is an even better one today and that is all due to Leszek s leadership.

Finally, John, we also were able to convince to stay after the PharmaSwiss acquisition; a long history in Russia, and he has built a market leader in a very short period of time. It is with pleasure that I introduce the Central and Eastern European team. Pavel?

Pavel Mirowsky - *Valeant Pharmaceuticals International, Inc. - President and General Manager, EMEA*

Okay. Good morning, ladies and gentlemen, and I am really impressed by the nice words of Mike and thank you so much. I will try to deliver.

Anyhow, let me briefly introduce myself. My name is Pavel Mirowsky and I am responsible for Europe, Middle East and Africa. I have a medical background and I actually spent 15 years with medicine and science. I made my M.D., PhD and Associate Professorship at Charles University in Prague but more or less today I would probably be dangerous to any patient.

Then I made a big jump and I joined the pharma industry and I spent about 10 years with these so-called big pharma and then went to branded generics and IMS also. Finally I landed as the CEO of PharmaSwiss and I have been acquired, as Mike said with PharmaSwiss, and I am happily staying with Valeant from 2011.

But enough of Mirowsky. Let me walk you through the EMEA story. I honestly believe that we have a very powerful story to say. You know five, six years ago Valeant was a no-name company in this region. Practically did not exist. It was present in one country, (inaudible) of over $100 million nice, small, decent profitable business but nobody knew about it. Today we are earning business across 70+ countries around $2.2 billion, 5000 people divided into several regions.

Now let s focus a little bit on our organization. Around 60% of our turnover in EMEA is done in emerging markets, because around 40% in Western Europe so-called developed markets and in my presentation, I will focus on the emerging markets because Gaelle Waltinger comes later on to give you an overview of her territory. She is responsible for Western Europe.

From a different point of view, you can also see that around 70%, around two-thirds of our business is pharma and one-third is so-called surgical and vision care. In surgical, we are talking mainly about high-tech lasers, intraocular lenses and consumables. In vision care, we are talking about contact lenses. Okay.

So now how does it look like in the emerging markets? As you can see, we are growing like hell and it is obviously mainly by acquisitions but not only. Over the last decade we have been growing consistently around 8% in terms of organic growth and that growth is accelerating right now to around 13%. It is changing every day so I like to stay around.

Our fastest-growing territory right now is the Middle East; organic growth of the Middle East is above [30%]. It is followed by Russia, but John will talk about it and Poland.

How do we run our business? How do we take care of it that it will be sustainable, that it will deliver shareholder value not this year, not next year but for the next decade? And I will probably spend most of the time on this slide because from my point of view it is a pivotal slide. It is the big thing what we are doing and how we are doing things in EMEA.

It is all about portfolio and pipeline management. It is about geographic focus, it is about business development and then it is about people and organization.

So about the pipeline and product development. We are focusing on so-called durable assets meaning products which are not directly dependent on reimbursement, OTC but also so-called Rx products but paid out of pocket. Around 84% of EMEA are in this category which is not directly dependent on state budget reimbursement which makes it much less sensible to price erosion.

We are targeting typical markets of Valeant in terms of market segment, mainly focused on ophthalmology, dermatology but also dental and in some countries where we have a strong (inaudible) as a market such as neurology or cardio, Poland, Serbia and some others, we are also developing our brands and portfolios there.

I will talk a little bit later about the pipeline. It is a hungry beast. You have to have pipeline plans for at least five years ahead, delivering hundreds of launches consistently every year to keep driving your topline. We are doing exactly that and we have a small business unit of business development of highly competent people using quite a sophisticated platform. They are screaming constantly the whole market for any opportunities for in-house development, in-licensing and building our pipe in the key segments for the years to come.

On top of it, we love to make our small tuck-on deals to complement what Mike is doing on a much higher level. If there would be time, I would love to talk about it but unfortunately I have only four minutes left here. So next time please.

And decentralization. EMEA is run in a decentralized way and it is cascaded down to the level of countries. Each general manager is fully accountable for his or her business but also has full authority to run it. By the way, we are talking all the time of about decentralization but I should say that at the same time we are keeping vertical controls to keep us on the right track, pharmacovigilance, compliance reporting directly to corporate by (inaudible) in operation guys including myself and finance only dotted lines to operations and dotted line again to corporate. So we make sure that we are decentralized but we keep the controls in place.

So with that, why we are doing all of this? We are a little bit single-minded and we are really focused only on growth and all of these activities are quite complex I have to say, running across 70 geographies and 300 partners and very complex flow of logistics. But anyhow, all of this is done just to keep sustainable growth and I believe that I can commit to a statement that EMEA will keep growing in terms of ordinary growth more or less on today s level for the next decade. And when I am saying EMEA, I mean the whole EMEA including Western Europe.

So you can expect from us to deliver 8% to 10% organic growth for the next 10 years to come. If you make your math, it means that we have to deliver more than $200 million topline of organic growth every year and we will.

Okay, just one comment on geo-expansion. Everybody understands synergies in a kind of negative way. Okay, it is cutting cost, it is finding people, it is nice because it is improving EBITA but it is not really creative. Geo-expansion is something which I call growth synergy because what we do is we took Bausch + Lomb products and launched it in Valeant territories and vice versa and it brings $80 million topline growth just by doing that. And we don t have to fire anybody and we have a beautiful positive synergy.

How did we integrate Bausch + Lomb? Well, it was a transformation deal for EMEA. We doubled in size and it gave us a new platform in Western Europe and in the Middle East, North Africa region and Turkey. It was not easy because the labor code especially in Western Europe in some countries, it simply doesn t help restructuring. It really hinders the process but I believe that we still manage to run it relatively fast and efficiently, simplify the businesses. We kept on board the best people and what I am most proud of is that we did not have a negative impact on sales. When companies focus on their internal issues, they usually lose momentum. It did not happen this time. We did keep growing and Gaelle will talk about it.

That said, we will deliver on these synergies as planned ahead of time and probably ahead of numbers as well and we are ready for any new challenge which Mike will bring us including Allergan if it happens.

Finally my personal reflections. I will not read the slide. I just want to tell you that I enjoy working at Valeant. I am 63 years old and I am still learning new tricks and it is a privilege. I have a CEO whom I respect and I have a fantastic team running EMEA. By the way, guys if you are looking, ciao and thank you.

We are running a sizable business improving our numbers every year, improving gross margin, improving EBITA, improving profitability and efficiency of the business, keeping lean and mean as much as we can. We tried to avoid to become big pharma but it is a tough job. Thank you.

Leszek Wojtowicz - *Valeant Pharmaceuticals International, Inc. - VP and General Manager, Poland*

Good morning, everybody. My name is Leszek Wojtowicz and I m Vice President of Europe and General Manager responsible for operations in Poland. I graduated from medical school but I have been in the pharma business for 20 years and I started with the Upjohn Company and through many acquisitions and mergers, I worked with Pharmacia and Upjohn Pharmaceia and then Pfizer. And during the time I started my work as a medical representative and I went through product management to the more senior sales and marketing positions and functions.

I have been with Valeant for 10 years and I am really proud and now happy that I can present Valeant s Polish business because Valeant in Poland is one of the top companies in the pharma industry in my country.

Valeant grew in years 2008 through 2013 by 9% of organic growth. It was high and sustainable growth and we overcame the market in Poland by 5% because the market at the same time grew by 4%. It caused that we became number two branded generics company in Poland, including vision care or surgery that are not covered by IMS. And we invest strongly in self-pay business, both of branded generics and OTC. Actually 80% of our products are in that segment and it really makes us independent of any governmental changes of reimbursement policies and some changes in the legislation.

Our five top products are the leaders in their therapeutic categories and our number one product, Bisocard, which is for hypertension and heart failure is a leading brand all over Poland in the total market of Poland both OTC and Rx product with sales of 12 million units and really it is a leader of Poland in terms of volume.

In terms of the value, we achieved $27 million with these products. What is especially interesting about Bisocard is that the product was launched in 1999 and for the last 15 consecutive years, it has been growing every single year. So we managed to get to this number one.

Another interesting story which also puts some more light on our life in Valeant is that all the decisions we make in Poland are decentralized decisions, are local management decisions and in 2012, there was a big change of the reimbursement legislation in Poland and we locally decided to move the product from the reimbursed list to move it from government reimbursement paid sector to cash pay. We strongly believe that for these 15 years, Bisocard achieved really the very big strength and customers loyalty. And in 2013, it happened we were absolutely right despite taking the product out of the reimbursement list, we grew 14% with this product.

MAY 28, 2014 / 12:00PM, VRX.TO - Valeant Pharmaceuticals International, Inc. Investor Meeting to Discuss the Merger Proposal with Allergan Conference Call

So having all of these factors in mind, we should not be surprised that the Company grows significantly from 2005 to 2013. As you see on this slide in 2005, we generated only $70 million. However in 2014, we jumped with the growth of over $50 million from the level of $215 million to $262 million and what is even more important, we expect such growth also in 2014 and this is what is behind this 9% organic growth.

One of the most important things to make it possible to have such a performance over the years is really a big, robust rich portfolio that we launch every year. Here on the list you have all the launches from 2008 to 2014. There were plus 40 launches and in 2014, we expect additionally 15 launches. All together in 2014, these launches are going to bring the revenue of about $43 million.

The same thing is about the next years, 2015 through 2019. We are very confident that with all of the investments in our portfolio and pipeline we can deliver a lot of launches every year and generate sales of over $14 million every year investing mainly in the main areas of our interest which are dermatology, pharma ophthalmology, surgery, vision care, OTC and some of the carefully selected branded generic products that can generate significant growth.

On top of that we invest a lot of money into media campaigns in Poland to support our top OTC products. On the list you have the main ones which is Diosminex, Chlorchinaldin, 4Flex and Falvit and all of this spent over $9 million represent about 25% of the revenue generated by these products.

Poland is a big country in terms of the business Valeant is doing there. It is over 1500 employees but especially I would like to point your attention to the number of sales folks and marketing people because they are the core people who are facing directly to customers and generating directly the business. We have over 400 people in field force supported by over 30 people in marketing. We have also over 50 people in R&D; those people develop the lo