ALLERGAN INC
Form 425
June 11, 2014

Valeant s perspectives on
R&D
1
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
Rules 14a-12 and 14d-2 under the Securities Exchange Act of
1934
Subject Company: Allergan, Inc.
Commission File No.: 001-10269

Forward-looking Statements

This communication may contain forward-looking statements within the meaning of the Private Securities Litigation Reform A
laws. These forward-looking statements include, but are not limited to, statements regarding Valeant Pharmaceuticals Internat
acquire Allergan, Inc. (Allergan), business development activities, including the timing of closing pending transactions, clin
products, peak sales of products and its expected future performance (including expected results of operations and financial gu
company s future financial condition, operating results, strategy and plans. Forward-looking statements may be identified by
expects, intends, plans, should, could, would, may, will, believes, estimates, potential, target
create, predict, project, seek, ongoing, upside, increases or continue and variations or similar expressio

current expectations and beliefs of management and are subject to numerous assumptions, risks and uncertainties that change o
results to differ materially from those described in the forward-looking statements. These assumptions, risks and uncertainties
assumptions, risks and uncertainties discussed in the company s most recent annual or quarterly report filed with the Securitie
SEC) and the Canadian Securities Administrators (the CSA) and assumptions, risks and uncertainties relating to the prop
time in Valeant s filings with the SEC and the CSA, which factors are incorporated herein by reference. Important factors tha
materially from the forward-looking statements we make in this communication are set forth in other reports or documents that
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
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 V
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
plans;

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 a

our ability to sustain and grow revenues and cash flow from operations in our markets and to maintain and grow our customer
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
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 m
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

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

More Information
ADDITIONAL INFORMATION
This communication does not constitute an offer to buy or solicitation of an offer to sell any securities and no tender or exchan
Allergan has commenced at this time. This communication relates to a proposal which Valeant has made for a business combi
Allergan. In furtherance of this proposal, Pershing Square Capital Management, L.P. (Pershing Square) has filed preliminar
the Securities and Exchange Commission (the SEC) on May 13, 2014 and June 2, 2014 (the preliminary proxy statements
Pershing
Square

(and, if a negotiated transaction is agreed, Allergan) may file one or more other proxy statements, registration statements, tender or exchange offer documents or other documents with the SEC. This communication is not a substitute for the preliminary proxy proxy statement, registration statement, prospectus, tender or exchange offer document or other document Valeant, Pershing Sq may file with the SEC in connection with the proposed transaction. INVESTORS AND SECURITY HOLDERS OF VALEAN URGED TO READ THE PRELIMINARY PROXY STATEMENTS AND ANY OTHER PROXY STATEMENT(s), REGIST PROSPECTUS, TENDER OR EXCHANGE OFFER DOCUMENTS AND OTHER DOCUMENTS FILED WITH THE SEC ENTIRETY IF AND WHEN THEY BECOME AVAILABLE AS THEY WILL CONTAIN IMPORTANT INFORMATION A TRANSACTION. Any definitive proxy statement(s) or definitive tender or exchange offer documents (if and when available) stockholders of Allergan and/or Valeant, as applicable. Investors and security holders may obtain free copies of the preliminary proxy statements, and will be able to obtain free copies of these other documents (if and when available) and other documents filed with the SEC by V Square through the web site maintained by the SEC at http://www.sec.gov.

Consent was not obtained or sought with respect to third party statements referenced in this presentation.

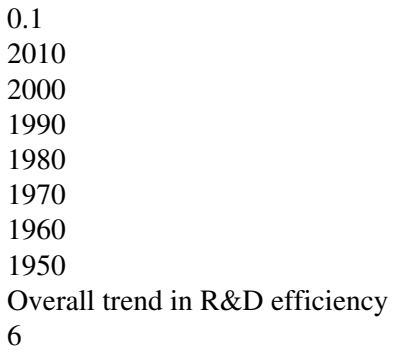
Information regarding the names and interests in Allergan and Valeant of Valeant and persons related to Valeant who may be c
any solicitation of Allergan or Valeant shareholders in respect of a Valeant proposal for a business combination with Allergan
additional definitive proxy soliciting materials in respect of Allergan filed with the SEC by Valeant on April 21, 2014 and May
regarding the names and interests in Allergan and Valeant of Pershing Square and persons related to Pershing Square who may
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 preliminary proxy statements. The additional definitive proxy soliciting material referred to in this paragraph and the preliminary proxy statements can be obtained free of charge from the sources indicated above.

Valeant s thoughts on industry innovation
Innovation is critical for the future of healthcare and the success of Valeant
Majority of innovation coming from outside the big industry players
Big Pharma, primarily sourcing innovation by buying later-stage products driven by biotechs, venture capital, start-ups, foundations, physicians, and academic centers
Leading products largely developed outside of Big Pharma

Valeant s strength in R&D/innovation focused on:
Core areas of dermatology, ophthalmology, and branded generics
Focused on line extensions and reformulations, where returns are more certain, and where Valeant has expertise
4

Innovation and productivity in
the Pharmaceuticals industry
5

Source: Diagnosing the decline in pharmaceutical R&D efficiency , Jack W. Scannell, Alex Blanckley, Helen Boldon & Bria
Discovery 11, 191-200 (March 2012);
R&D productivity in pharma has been declining
since the 1950s
1000
100
10
1.0


0.1
2010
2000
1990
1980
1970
1960
1950
Overall trend in R&D efficiency
6

Evidenced by both scientific & business publications (1/2)
the CEO of GlaxoSmithKline, believes that declining R&D productivity is his industry's primary problem
Rebuilding the R&D engine in Big Pharma, 2008
The number of new drugs approved per billion US dollars spent on R&D has halved roughly every 9 years since 1950, falling around 80-fold in inflation-

adjusted terms.

Diagnosing the decline in pharmaceutical R&D efficiency, March 2012

The pharmaceutical industry is in a period of crisis due to the low number of new drug approvals relative to the high levels of R&D investment.

Getting pharmaceutical R&D back on target, March 2011

7

Evidenced by both scientific & business publications (2/2)

The pharmaceutical industry is facing unprecedented challenges to its business model. Experienced observers and industry analysts have even predicted its imminent demise

How to improve R&D productivity: the pharmaceutical industry s grand challenge, March 2010

Although investment in pharmaceutical research and development (R&D) has increased substantially in this time, the lack of a corresponding increase in the output in terms of new drugs being approved indicates that therapeutic innovation has become more challenging.

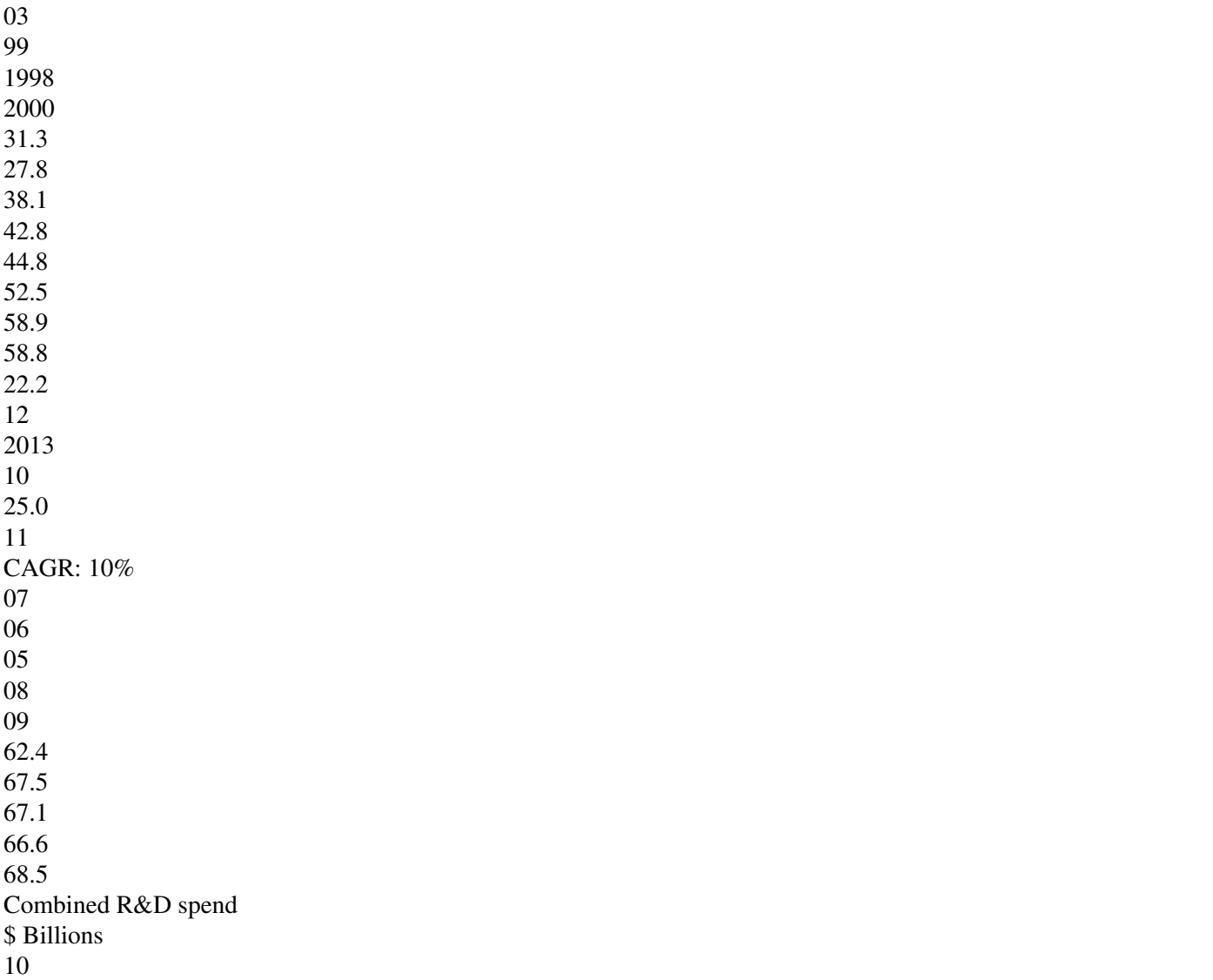
The productivity crisis in Pharmaceutical R&D, June 2011

8

Big Pharma
economic returns from R&D
below the cost of capital
9
Source:
Forbes
Who's
The

Best
In
Drug
Research?
22
Companies
Ranked,
hiddenpipeline.com
Average ~3.7% vs. cost of capital ~10%

R&D spend across the top 10 pharmacos has
flattened after a decade of double digit growth
Note: Includes J&J, Roche, Bayer, Sanofi, Eli Lilly, Novartis, Pfizer, GSK, Merck, AstraZeneca
CAGR: 0%
04
26.6
02
01


03
99
1998
2000
31.3
27.8
38.1
42.8
44.8
52.5
58.9
58.8
22.2
12
2013
10
25.0
11
CAGR: 10%
07
06
05
08
09
62.4
67.5
67.1
66.6
68.5
Combined R&D spend
$ Billions
10

74%
18%
8%
Top 50 products
Sources of innovation
Products = 50
Big Pharma: Top 10 companies at time of discovery
SOURCE: Evaluate

Only 4 of today's top 50 products were
discovered, developed, and commercialized
internally by "Big Pharma"
External
innovation
Internal R&D:
Big Pharma
Internal R&D:
Small/mid-size
Pharma and Biotech

Listing of top 50 2014 drugs (1/2)
12
Rank
Company
Product
Originator
2014E
1

AbbVie
Humira
Knoll
12,049
2
Sanofi
Lantus
Hoechst
8,923
3
Gilead Sciences
Sovaldi
Pharmasset
8,773
4
Roche
Rituxan
IDEC Pharmaceuticals
7,879
5
GlaxoSmithKline
Seretide/Advair
Glaxo
7,832
6
Roche
Avastin
Genentech
7,338
7
Roche
Herceptin
Genentech
6,931
8
Johnson & Johnson
Remicade
Centocor
5,796
9
AstraZeneca
Crestor
Shionogi
5,349
10
Celgene
Revlimid
Celgene
4,885
11

Amgen
Enbrel
Immunex
4,727
12
Otsuka Holdings
Abilify
Otsuka Holdings
4,723
13
Novartis
Gleevec
Ciba-Geigy
4,588
14
Pfizer
Lyrica
Northwestern University
4,556
15
Amgen
Neulasta
Kirin-Amgen
4,485
16
Boehringer Ingelheim
Spiriva
Boehringer Ingelheim
4,273
17
Merck & Co
Januvia
Merck & Co
4,063
18
Pfizer
Prevnar 13
Wyeth
4,006
19
Pfizer
Enbrel
Immunex
3,917
20
AstraZeneca
Symbicort Turbuhaler
Astra/Yamanouchi
3,803
21

Gilead Sciences
Atripla
Emory University
3,437
22
Novo Nordisk
NovoRapid
ZymoGenetics
3,265
23
Teva Pharmaceutical
Industries
Copaxone
Weizmann Institute
3,248
24
Gilead Sciences
Truvada
Emory University
3,066
25
Biogen Idec
Avonex
Biogen
2,878
Big pharma developed in-house
Big Pharma: Top 10 companies at time of discovery
SOURCE: Evaluate

Listing of top 50 2014 drugs (2/2)
13
Rank
Company
Product
Originator
2014
26

Eli Lilly
Alimta
Princeton University
2,807
27
Eli Lilly
Humalog
Eli Lilly
2,786
28
AstraZeneca
Nexium
Astra
2,723
29
Merck & Co
Zetia
Schering-Plough
2,665
30
Novo Nordisk
Levemir
Novo Nordisk
2,526
31
Merck & Co
Remicade
Centocor
2,480
32
Novo Nordisk
Victoza
Scios
2,472
33
Sanofi
Plavix
pre-Sanofi-Synthélabo
2,413
34
Novartis
Gilenya
Yoshitomi Pharmaceutical
2,412
35
Novartis
Lucentis
Genentech
2,397
36

Merck KGaA
Rebif
Weizmann Institute
2,388
37
Biogen Idec
Tecfidera
Fumapharm
2,374
38
CSL
Privigen
CSL
2,327
39
Novartis
Diovan
Ciba-Geigy
2,313
40
Sanofi
Lovenox
Rhône-Poulenc
2,299
41
Johnson & Johnson
Zytiga
The Institute of Cancer
Research
2,294
42
Eli Lilly
Cialis
ICOS
2,294
43
Pfizer
Celebrex
G.D. Searle
2,263
44
Allergan
Botox
Oculinum
2,238
45
Alexion Pharmaceuticals
Soliris
Alexion Pharmaceuticals
2,188

46
Baxter International
Gammagard Liquid
Baxter International
2,181
47
Merck & Co
Janumet
Merck & Co
1,992
48
Roche
Lucentis
Genentech
1,966
49
Baxter International
Advate
Baxter International
1,952
50
Pfizer
Lipitor
Warner-Lambert
1,929
Big pharma developed in-house
Big Pharma: Top 10 companies at time of discovery
SOURCE: Evaluate

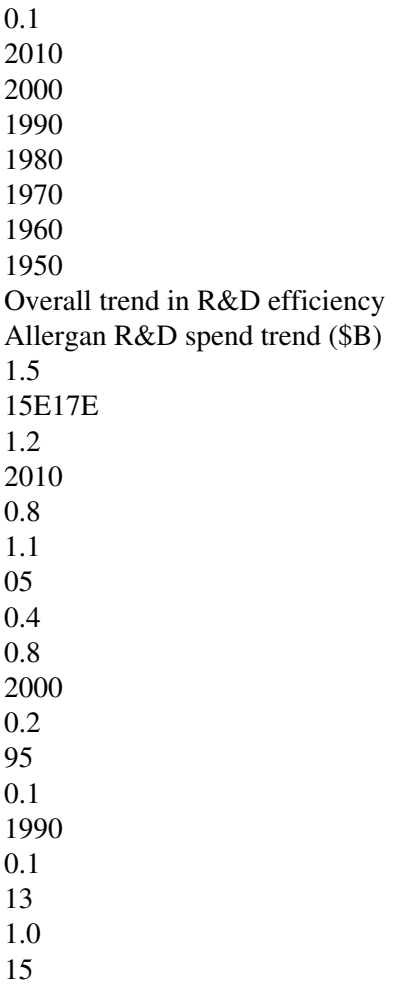
Allergan similar to Big Pharma with ~80% of 2013 revenue acquired externally

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
14

Source: Diagnosing the decline in pharmaceutical R&D efficiency , Jack W. Scannell, Alex Blanckley, Helen Boldon & Bria
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
15

M&A has been an important part of many
leading
healthcare
companies
strategies
Over the last 10 years number of Transactions with >$50M Deal Value
Source: Capital IQ
16

10
21
22
27
30

A similar debate has occurred in the technology
sector along with many other industries
Innovation has nothing to do with how many R&D dollars you have.
When Apple came up with the Mac, IBM was spending at least 100
times more on R&D. It's not about money. It's about the people you
have, how you're led, and how much you get it.
Steve Jobs, Forbes 1998
Indeed, the correlation between R&D spending and innovation isn't

clear. In terms of proportional research spending, Apple ranked last on our list of top R&D spenders, with a 3.2% research and development outlay ($844 million altogether). Yet nobody would accuse Apple-creator of the iPod and iPhone-of not being innovative, or of not being able to transform its successes into bottom-line results. Apple's profit has grown an average of 62% over its last two fiscal years.

CIO Zone Top 50 Technology R&D Spenders 2007

17

Valeant s approach to R&D
18

19
1. Products developed in our labs
2. Lifecycle management programs
4. Late-stage product in-licensing
5. Late-stage / pre-launch product
acquisition
3. Branded Generics development
We Build a Robust Pipeline Drawn from Internal

and External Sources
Our output-driven R&D approach has delivered more launches than most competitors
Our approach to R&D is lower cost and lower risk without sacrificing quality or likelihood of approval
We have a robust internal pipeline, which is supplemented with aggressive business development

20
Focusing on R&D Output Rather than Input
Traditional Big Pharma input-driven approach
Focus on shots on goal
Higher spend levels assumed to generate more new products
Incentives linked to investment levels

Valeant s output focused approach
Focus on productivity
outputs
measured against inputs
Lower risk projects
Decentralization helps ensure right
products for right markets
Focus on line extensions and new
indications
Portfolio prioritization via rigorous,
unbiased peer scientific review
With overall industry R&D
productivity steadily declining,
traditional bets on R&D are unlikely
to pay off

21
Our R&D organization
Total
R&D
Employees
:
748
US R&D: 487

Ex-US R&D: 261
Majority of entrepreneurs have used proceeds to fund
further innovation
1: includes quality
1

22
Valeant
US
Launch
Products
(1/2)

derm

and
aesthetics
Product
Category
Description
Expected launch
date
Source
Est. peak sales ($M)
Derm
Dermatitis, wound
healing
Re-launched
Parented from SMG
25-75
Derm
Topical antifungal for
athlete s foot
Launched
Medicis
50-75
Neotensil
Aesthetics
Topical product for
under-eye bags
Launched
Partnered from Living
Proof
80-100
Obagi360
System
Aesthetics
Skincare
kit
for
women
in their 30 s
Launched
Obagi
10-30
Retin-A Micro®
.08%
Derm
Topical treatment for
acne
Jun-14
Dow
20-30
Derm
Topical antifungal for

onychomycosis
Approved
Dow
300-800
Ideal Implants
Aesthetics
Breast implant
Q3 2014
Partnered from Ideal
Implant
25-75
Hyaluronic
acid
for
lips
Aesthetics
Small particle filler
Q4 2014
Medicis
20-30
Onexton
Derm
Topical treatment for
acne
Q4 2014
Dow
50-75
Source: Valeant management estimates
Bensal HP
Luzu
Jublia
®
®
®
22

23
Valeant US Launch Products (2/2)
eye health,
consumer, and oral health
Product
Category
Description
Expected launch

date				
Source				
Est. peak sales ($M)				
enVista				
inserter				
(lens)				
Eye Health				
Launched				
B&L				
40-50				
PureVision				
2 for				
Presbyopia				
Eye Health				
Daily contact lens				
Launched				
B&L				
20-30				
Victus				
enhancements				
Eye Health				
Multiple				
enhancements				
Lens fragmentation				
2H 2014				
B&L				
100-200				
Ultra				
Eye Health				
Silicone hydrogel				
monthly lens				
Launched				
B&L				
300-400				
BioTrue®				
multifocal				
Eye Health				
Daily contact lens				
May-14				
B&L				
60-80				
Trulign				
expanded				
ranges (lens)				
Eye Health				
Broader range of				
powers				
Q2 2014				
B&L				
40-60				

CeraVe®
baby line
Consumer
OTC moisturizer
Launched
Dow
15-20
Peroxiclear
Consumer
Peroxide based
contact lens solution
Launched
B&L
50-70
Ossix®
Plus
Oral Health
Dental membrane
Launched
Partnered
from
Datum
Dental
10-20
Onset®
Oral Health
Dental analgesic
Launched
Acquired from Onset
40-50
Total
$1,255M-2,270M
Source: Valeant management estimates
TM
Further
enhancements
23

Valeant has funded entrepreneurs and innovation through acquisitions (1/2)

Acquired business from founder Gordon Dow and President Bhaskar Chaudhuri

Majority of entrepreneurs have used proceeds to fund further innovation

Acquired WW rights to Emerade anaphylaxis injector from Larsson family

Larsson family continues in to work on next generation
Emerade
Partnered WW rights from Living Proof & 3 MIT scientists
responsible for development
Entrepreneurs continue to work on new platforms and
products
24

Valeant has funded entrepreneurs and
innovation through acquisitions (2/2)
Partnered with Brazilian Biotech -
Pelenova on
Regederm a novel scar treatment
Pelenova continuing to develop new therapies
Bought option to acquire Ideal Implant from Dr. Bob Hamas
and shareholders

Valeant payments to date have funded completion of clinical study and seek FDA approval
Acquired WW rights for low dose brimonidine from Dr. Lee Nordan and Dr. Jerry Horn
Dr. Nordan continues to develop novel therapies
Eye Therapies, LLC
Majority of entrepreneurs have used proceeds to fund further innovation
25

Valeant acquisition R&D review
Have never stopped any program mid-stream/study
Peer review all programs
Programs placed into 2 categories
Invest:
high potential programs with strategic fit, carry to next
stage-gate and then re-assess
Programs continued to be re-assessed based on clinical data

Partner:
higher risk and/or lacking strategic fit, continue
development but look for strategic partner to lead development
going forward
Partnerships have included Valeant payments/funding to help
with continuing clinical program
No partner interest:
Products that cannot find a partner or are pre-
development ideas that do not have scientific and commercial
rationale are terminated
Typical in Pharma mergers to discontinue/rationalize R&D programs
26

Valeant has invested in or partnered over 70% of acquired projects
Acquired portfolio
Invested by Valeant
Partnered

No partner
interest
99
0
75
24
19
6
6
7
development
16
9
3
4

Staccato(R) Loxapine

Istradefyllin approved in Japan in
Phase 3 in US
Status of out-partnered products
1 Staccato(R) Loxapine launched by Alexza and Teva as Adasuve in 2013
2 Includes products in negotiation
142
15
92
35
8
0
8
0
N/A
2 launched in select markets:
All others in Phase 2/3, 1 in Phase 1
E-TAZ, TWIN for acne vulgaris in
Failed to demonstrated clinical viability
No external parties interested in
partnering
No projects terminated before reaching
next milestone
Criteria used to terminate:
2
1

Dow Overview
Acquired dermatology R&D house with leading capabilities and track record
Developed/had a part in developing most major dermatology drugs
Full capabilities from preclinical through regulatory
Senior/R&D leadership retained to bring on capabilities and experience
R&D programs had largely been sourced internally
Reviewed all programs with both Valeant and Dow R&D, maintained all 8 significant R&D programs, bringing several to market through in-house

commercialization capabilities and successfully launching Acanya:
Approved/Filed
Acanya: Approved
Ram .08: Approved
IDP-108 (Jublia): Approved
Onexton: Filed
Phase IIB
IDP-118
4 compounds failed over time, all by missing endpoints
28

Biovail Overview
Merger to bring two specialty companies together to create scale
and
platform for acquisitions
Strong, growing Canadian business
US business with portfolio of tail assets
No research capabilities with R&D pipeline in-licensed or acquired from
3

parties
Reviewed all pipeline programs, Biovail primarily focused on orphan neurology indications, with most products being non-strategic to Valeant going forward
Scientists/R&D professionals and commercial voted (executive team did not vote)
~60% of programs partnered to companies with focus in neurology; two products have received approval to date
Launched generic fenofibrate
Terminated several Gx filings and low-probability life-cycle management programs
29rd

Medicis Overview (1/2)

Acquired North American dermatology company with complementary portfolio

Low growth, prior year with stock price that had underperformed S&P over previous 10 years

Declining acne franchise

Underperforming aesthetic business

No research capabilities with significant capital expenditures to build

R&D pipeline from in-licensing and acquisitions, majority of development activities outsourced
Notable partnerships/acquisitions:
Graceway
Galderma/Q-Med aesthetics
Sol-Gel
NNC
30

Medicis Overview (2/2)
Reviewed all 20 significant R&D programs led by Medicis R&D teams
Scientists/R&D professionals and Medicis commercial voted (executive team did not vote), no material disagreement on prioritized programs
Maintained late stage programs, bringing 4 programs to the FDA for approval:
Luzu: filed and launched
Metrogel 1.3%: filed and out-licensed to commercial partner

SPHAL: filed awaiting approval
Perlane LCM: filed awaiting approval
Brought in Emervel product from Galderma, which Medicis had
previously declined
Out-licensed/actively negotiating earlier stage dermatology programs
or
programs that were outside of the core dermatology/aesthetics platform
Terminated programs were mainly oral acne products where
approval/regulatory guidance has become increasingly difficult
31

B&L Overview (1/2)

Acquired global eye health company as platform worldwide

Global franchise in contact lens, solutions, and OTCs

Strong franchise in surgical devices

Strong US pharmaceuticals business

R&D portfolio largely built from capital expenditure for in-licensing, acquisitions, and partnerships with in house research largely focused in contact lenses

Notable acquisitions:
Ista
TPV
Eyeonics
Notable in-licenses:
Latanoprostine
Mapracorat
Mimetogen, licensed between signing and close
Brimonodine
32

B&L Overview (2/2)
Reviewed ~100 R&D programs with both Valeant and B&L R&D teams
Scientists/R&D professionals and B&L commercial voted (executive team did not vote), no material disagreement on prioritized programs
Maintained ~74% of programs, including all late stage R&D programs, bringing all programs to their next stage-gate:
Ultra: filed and launched
Peroxiclear: launched

Latanoprostine: in Phase III
Brimonodine: in Phase III
Mimetogen: Phase II, in-licensed between signing and close
Mapracorat: failed Phase III endpoints
Terminated programs were largely very early stage/conceptual programs with little investment to date
No products partnered to date
33