

ALLERGAN INC  
Form DFAN14A  
June 03, 2014

**SCHEDULE 14A INFORMATION**

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**Allergan, Inc.**

**(Name of Registrant as Specified In Its Charter)**

**Pershing Square Capital Management, L.P.**

**PS Management GP, LLC**

**William A. Ackman**

**(Name of Person(s) Filing Proxy Statement, if other than the Registrant)**

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

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## **ADDITIONAL INFORMATION**

This communication does not constitute an offer to buy or solicitation of an offer to sell any securities and no tender or exchange offer for the shares of Allergan has commenced at this time. This communication relates to a proposal which Valeant has made for a business combination transaction with Allergan. In furtherance of this proposal, Pershing Square Capital Management, L.P. ( Pershing Square ) has filed preliminary proxy statements with the Securities and Exchange Commission (the SEC ) on May 13, 2014 and June 2, 2014 (the preliminary proxy statements ) and Valeant and 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 statements or any other proxy statement, registration statement, prospectus, tender or exchange offer document 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 PRELIMINARY PROXY STATEMENTS AND ANY OTHER PROXY STATEMENT(S), REGISTRATION STATEMENT, PROSPECTUS, TENDER OR EXCHANGE OFFER DOCUMENTS 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) or definitive tender or exchange offer documents (if and when available) will be mailed to 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 Valeant and/or Pershing Square through the web site maintained by the SEC at <http://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 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.

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This presentation is not all inclusive and may not contain all of the information that you require in order to evaluate Allergan and Valeant and the transactions described in this presentation. You should review Valeant's and Allergan's most recent annual and quarterly reports and other reports filed by Valeant and Allergan with the SEC. You should rely on your own independent analysis to assess the accuracy and completeness of all information contained

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### **Forward-looking Statements**

The presentation contains forward-looking statements. These forward-looking statements include, but are not limited to, statements regarding Valeant's offer to acquire Allergan, Valeant's financing of the proposed transaction, Valeant's or Allergan's expected future value and performance (including expected results of operations and financial guidance), and the combined company's future financial condition, operation results, strategy and plans. Forward-looking statements may be identified by the use of the words anticipates, expects, intends, plans, should, could, would, will, believes, estimates, potential, target, opportunity, tentative, positioning, designed, create, pursue, ongoing, upside, increases or continue and variations or similar expressions and include but are not limited to beliefs expressed regarding future performance. These statements are based upon the current expectations and beliefs of Pershing Square 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 Valeant's and/or Allergan's most recent annual or quarterly reports filed with 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. Important factors that could cause actual results to differ materially from the forward-looking statements we make in this presentation are set forth in other reports or documents that Valeant and/or Allergan file from time to time with the SEC or 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;

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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;

the effects of governmental regulation on Valeant's and Allergan's 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;

Valeant's and Allergan's ability to sustain and grow revenues and cash flow from operations in their respective markets and to maintain and grow their respective customer bases, 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 Valeant's and Allergan's debt obligations prior to or when they become due and to fund their operations and necessary capital expenditures, either through (i) cash on hand, (ii) free cash flow, or (iii) access to the capital or credit markets;

Valeant's and Allergan's ability to comply with all covenants in their respective indentures and credit facilities any violation of which, if not cured in a timely manner, could trigger a default of their respective other obligations under cross-default provisions; and

the risks and uncertainties detailed by Valeant and Allergan with respect to their respective businesses as described in their respective 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. None of Pershing Square or any of its affiliates or associates, or any of their respective directors, officers, employees, agents, shareholders or advisors undertakes any obligation to update any of these forward-looking statements to reflect events or circumstances after the date of this presentation or to reflect actual outcomes.



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Background of the Transaction

In September 2013, we hired Bill Doyle as a Consultant

Massachusetts Institute of Technology; SB Engineering, 1984

Harvard Business School; MBA, 1992

McKinsey & Company; 1992-1995

Johnson & Johnson; 1995-2000

WFD Ventures LLC; 2002-present

In February 2014, Bill Doyle introduced Valeant CEO Mike

Pearson to Pershing Square

Pershing Square begins due diligence on Valeant

Allergan  
~\$50bn market cap specialty pharmaceutical  
company  
Leader in aesthetics, dermatology, and  
ophthalmology  
Pershing Square forms JV with Valeant to assist in  
Allergan merger  
Between February 25th and April 21st, Pershing  
Square acquired 9.7% of Allergan at an average  
cost of \$128/share representing 28% of capital  
measured at cost  
On April 22  
nd  
, Valeant announced offer of \$48.30 in  
cash and 0.83 shares of Valeant common stock for  
each Allergan share, representing approximately

40% premium to the unaffected share price of  
\$116.63

3

3

4

4

Pershing Square Due Diligence on Valeant

Reviewed public company information for Valeant

On February 9

th

, 2014 we executed a confidentiality agreement with

Valeant, which allowed us to conduct substantial due diligence

In-person meeting with board of directors

Extensive management interviews

Selective local due diligence at the country level

Review of parent and regional business plans

Review of historical and projected organic growth by business unit and region

Review of business development pipeline

Review of R&D pipeline

Review of global tax structure

Review of bear thesis

Highly decentralized

Local managers determine product mix, pricing & distribution strategy

Culture of cost efficiency

Management incentives aligned with shareholders

5

Why We Like Valeant

Low % of products  
with patent cliffs

Low product  
concentration risk

Lower price and  
reimbursement risk

Durable Products and  
Cash Flows

High-growth  
categories  
High-growth  
geographies  
New products  
Lower-risk, higher-  
return R&D  
Platform for  
accretive  
acquisitions  
Share buybacks  
Growth  
Shareholder-Friendly  
Capital Allocation  
Superior Operating Model  
Management  
is  
focused  
on  
creating  
shareholder  
value

Conservatively underwrite attractive returns

Target 20% unlevered IRR, before tax synergies (est. 30% after-tax)

Target < 6-year payback

Assign no value to the target's pipeline

Rapid integration with synergies at or exceeding budget

Have met or exceeded synergy budget on all announced acquisitions

Typically, ~80% of synergies achieved within first year

6

6

Valeant's Acquisitions Have Created Value

Valeant

has

a

track

record

of

allocating

the

majority



of  
free  
cash  
flow  
to  
value-creating  
acquisitions

Source: Management interviews

7

An investment in Valeant shares on the day Mike Pearson became CEO has appreciated to 26x its initial value in six years including dividend reinvestment

2,649%

Valeant total shareholder return from 2/1/2008 to 5/30/2014

Valeant's History of Shareholder Value Creation

2/1/08: Mike

Pearson

appointed CEO;

Valeant share

6/20/10:

Announced

merger with

Biovail

9/3/12: Announced  
acquisition of  
Medicis for \$2.6bn

5/27/13:  
Announced  
acquisition of  
Bausch & Lomb  
for \$8.7bn

Note:

Chart  
shows  
the  
total  
shareholder  
return  
with  
the  
initial  
share  
price  
indexed  
to  
100%  
for  
an  
investment  
in  
Valeant  
Pharmaceuticals  
International,  
the  
entity  
that  
merged  
into  
Biovail  
Corporation  
on  
September  
28,  
2010.  
Subsequent  
to  
this  
transaction,  
Biovail  
Corporation  
changed  
its  
name

to  
Valeant  
Pharmaceuticals  
International,  
Inc.  
Chart  
assumes  
that  
the  
special  
dividend  
of  
\$16.77  
paid  
to  
legacy  
Valeant  
shareholders  
at  
closing  
of  
the  
merger  
and  
the  
special  
dividend  
of  
\$1.00  
paid  
to  
new  
Valeant  
shareholders  
on  
December  
22,  
2010  
were  
both  
immediately  
reinvested  
in  
new  
Valeant  
(fka  
Biovail)  
common  
stock.  
4/22/14:

Announced  
initial  
offer  
to  
acquire  
Allergan

8

8

Structure of the Transaction

Pershing Square and Valeant formed a co-bidder entity

The co-bidder entity was formed with the intent to

Make an investment in Allergan

Assist Valeant in consummating a merger between Valeant and Allergan

Valeant invested the HSR limit of \$75.9mm and Pershing

Square contributed 100% of the entity's remaining capital

9  
9

#### Allergan Investment Thesis

Allergan has a strong track record of organic growth driven by a portfolio of market leading products, including the fast-growing Botox franchise

Allergan has a poor track record of capital allocation and cost management

Given the strategic overlap between Valeant and Allergan's product portfolios and Valeant's superior cost structure, operating model and capital allocation strategy, we believe a merger between Valeant and

Allergan has the potential to create enormous shareholder value  
Limited downside

We invested in Allergan at a valuation that reflected the fair value of the business, assuming no improvements in operations or a transaction

Strategic rationale of a Valeant/Allergan merger

10  
\$167  
Stock  
price  
performance  
of  
AGN  
from  
2/25/2014  
to  
5/30/2014  
Note:  
The  
performance  
of  
AGN's  
stock  
price  
is  
provided  
for



illustrative  
purposes  
only  
and  
is  
not  
an  
indication  
of  
future  
returns  
of  
the  
Pershing  
Square  
funds.  
Allergan: Timeline of Events

---

Source:  
Bloomberg.  
(1)  
Calculated  
from  
February  
25,  
2014  
through  
May  
30,  
2014.  
2/25/14: Pershing  
Square begins  
its purchases of  
AGN shares  
4/11/14: Pershing  
Square begins its  
rapid accumulation  
program  
4/22/14: Valeant  
announces offer to  
acquire AGN for 0.83  
VRX shares and \$48.30  
per share in cash  
5/12/14: AGN Board  
rejects initial VRX offer  
5/28/14: VRX raises  
offer to include  
\$58.30 per share in  
cash and adds a  
contingent value

right for DARP in

5/30/14: VRX raises offer to include

\$72.00 per share in cash, with

Pershing Square accepting 100% of

its consideration in VRX stock

based on May 29 closing prices

11

May 30

th

Revised Offer

Increased cash from \$58.30 to \$72 per share of Allergan

Allergan shareholders will also receive 0.83 shares of Valeant for each share of Allergan

On May 30

th

Valeant Revised Its Offer to Allergan Shareholders

Pershing Square's All-Stock Election

On May 30

th

, conditioned on Valeant increasing its offer, Pershing

Square agreed to receive 100% equity consideration in a merger

Pershing Square will receive 1.22659 shares of Valeant for each of its Allergan shares and no cash in the event the transaction closes

Pershing Square's All-Stock Election Improves

Terms of the Transaction for Others

Pershing Square's stock election increases cash available for other shareholders by \$6.65 per share

Valeant has agreed to distribute \$20bn of cash consideration to Allergan shareholders

As an owner of 9.5%

(1)

of Allergan's shares, Pershing Square's all-stock election increases the amount of cash available to other shareholders by \$1.8bn or \$6.65 per share

(1) 9.5% represents the total shares owned less the shares that Pershing Square owns on behalf of Valeant.

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Why Pershing Square Agreed To Elect All Stock

By agreeing to convert our shares to Valeant stock at current prices, in substance, we are purchasing almost 50% more shares of Valeant at the current market price, and foregoing the cash consideration in the Valeant deal

Pershing Square has confidence in the value creation opportunity of the combination

All-stock election

creates

greater

value

for

non-Pershing

Allergan

shareholders

\$587mm of immediate value contribution

\$1.8bn (\$6.65 per share) increase in cash available to other shareholders

Likely increases probability of transaction consummation and reduces time to closure

14  
14  
Pershing Square's Stock Election  
Demonstrates Confidence in the Transaction  
Valued  
at  
Valeant's  
May  
30  
th  
closing  
price,  
Pershing  
Square's  
all  
stock  
election  
is  
worth  
\$19.96  
per

share  
less  
than  
the  
cash  
and  
stock  
proposal  
offered  
to  
other  
Allergan  
shareholders  
Pershing  
Square  
All Stock  
Cash +  
Stock  
Pershing Square's election is  
worth a substantial discount  
to the cash & stock proposal  
offered to other investors  
Equity Consideration  
Calculation  
Ratio of the May 29  
th  
closing  
stock prices of Valeant and  
Allergan

1  
Source = Management estimate Valeant June 2<sup>nd</sup>  
presentation,

2  
Source = Management estimate Valeant May 28<sup>th</sup>  
presentation

15  
By Electing All-Stock, Pershing Square is Better  
Off if Valeant is >\$180 at the Time of Closing

If  
Valeant's  
stock  
price  
is  
>\$180  
at  
the  
close  
of  
the



transaction,  
Pershing  
Square's  
all-stock  
election  
will  
be  
more  
valuable  
than  
the  
cash  
and  
stock  
proposal  
offered  
to  
other  
shareholders

Pershing  
Square  
All Stock  
Cash +  
Stock

Pershing Square's stock election  
is worth the same as the cash &  
stock proposal offered to other  
investors

Equity Consideration  
Calculation

$\$10.85 \times 16.8 \text{ p/e} = \$182 \text{ per share}$

Blended Unaffected 2014 P/E Multiple = 16.8x  
2

Pro-Forma 2014 EPS = \$10.85

1

16  
Favorable Risk/Reward At Current Allergan Prices  
Given  
the  
superior  
value  
of  
Valeant's  
May  
30  
th  
proposal,  
we  
believe  
it is very unlikely that Allergan remains an independent company  
The Standalone  
option is unlikely  
The White Knight  
possibility  
While we believe it is unlikely, it is possible that a third party could

make an offer that is superior to the Valeant proposal  
If a third-party deal is consummated, we are required to share 15%  
of our profit with Valeant  
The Valeant transaction offers substantial upside  
At \$182  
(1)  
per Valeant share, the Pershing Square all-stock election  
is worth \$222 per Allergan share, or 33% more than the current  
Allergan stock price  
(1)  
Unaffected  
2014  
EPS  
multiple  
of  
16.8x  
sourced  
from  
Valeant's  
May  
28  
th  
presentation.  
2014  
Pro-Forma  
EPS  
estimate  
of  
\$10.73  
based  
on  
adjustments  
to  
Valeant's  
May  
28  
th  
presentation  
to  
account  
for  
revised  
transaction  
terms.  
Valeant's  
Unaffected  
stock  
price  
of

\$116.63  
is  
AGN's  
share  
price  
the  
day  
before  
Pershing  
began  
its  
rapid  
accumulation  
program

Yesterday,  
June  
2,  
2014,  
Pershing  
Square  
Launched  
the  
Special  
Meeting  
Solicitation  
Process  
June  
2  
nd  
:

Preliminary  
proxy  
filed  
with  
SEC  
June  
12  
th

June  
22  
nd  
:  
SEC  
comment  
period  
(10

20  
days)  
June  
14  
th

June  
24  
th  
:  
Proxy  
materials  
printed  
(2  
days)  
June  
16  
th

June  
26  
th  
:  
Proxy  
materials  
mailed  
(2  
days)  
June  
30  
th

July  
24  
th  
:  
Special  
Meeting  
solicitation  
and  
delivery  
of  
25+%  
support  
to  
company  
(2  
to  
4  
weeks);  
contemporaneously,  
file  
Special  
Meeting  
proxy  
with  
SEC  
(10  
  
20  
day  
comment  
period)  
July  
7  
th  
  
July  
31  
st  
:  
Company  
confirms  
solicitation  
is  
compliant  
(1  
week)  
Special Meeting Date  
We  
believe  
the

earliest  
date  
allowing  
for  
shareholders  
to  
properly  
consider  
the  
Special  
Meeting  
proxy  
would  
be  
one  
month  
after  
the  
company  
confirms  
our  
solicitation:  
Aug  
7  
th

Sept  
1  
st  
The  
company  
can  
delay  
the  
Special  
Meeting  
up  
to  
120  
days,  
a  
delay  
of  
up  
to  
Nov.  
4  
th  
-  
Nov.



28  
th  
17