ALLERGAN INC
Form DFAN14A
July 17, 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 x

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

x 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):

x No fee required.

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

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(3) Filing Party:

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Pershing Square Capital Management, L.P.
Calling
for
a
Special
Meeting
of
Allergan
Shareholders

July 17, 2014

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Legal Disclaimer

This communication does not constitute an offer to buy or solicitation of an offer to sell any securities. This communication rel
Square Capital Management, L.P. s (Pershing Square) solicitation of written requests to call a special meeting of sharehold
(Allergan) in connection with the proposal which Valeant Pharmaceuticals International, Inc. (Valeant) has made for a bu
transaction with Allergan. In furtherance of this proposal and subject to future developments, Pershing Square has filed a defin
statement with the Securities and Exchange Commission (the SEC) on July 11, 2014 (the solicitation statement), Valeant
registration statement on Form S-4 (the Form S-4) and a tender offer statement on Schedule TO (including the offer to exch
election and transmittal and other related offer materials) with the SEC on June 18, 2014 (together with the Form S-4, the Sch
preliminary proxy statement on June 24, 2014 with respect to a meeting of Valeant shareholders. Pershing Square and Valeant
negotiated transaction is agreed, Allergan) may file one or more solicitation statements, registration statements, proxy statemen
exchange offer documents or other documents with the SEC. This communication is not a substitute for the solicitation stateme
TO, or any other solicitation statement, proxy statement, registration statement, prospectus, tender or exchange offer document
Pershing Square, Valeant and/or Allergan may file with the SEC in connection with the proposed transaction. INVESTORS AI
HOLDERS OF VALEANT AND ALLERGAN ARE URGED TO READ THE SOLICITATION STATEMENT, PROXY STA
REGISTRATION STATEMENT, PROSPECTUS, TENDER OR EXCHANGE OFFER DOCUMENTS AND OTHER DOCU
THE SEC CAREFULLY IN THEIR ENTIRETY IF AND WHEN THEY BECOME AVAILABLE AS THEY WILL CONTA
INFORMATION ABOUT THE PROPOSED TRANSACTION. The solicitation statement is currently being mailed to stockho
definitive solicitation statement or 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 will be able to obtain free copies of the s
statement and the Schedule TO and will be able to obtain free copies of these other documents filed with the SEC by Pershing
Valeant through the web site maintained by the SEC at http://www.sec.gov.

Information regarding the names and interests in Allergan and Valeant of Pershing Square and persons related to Pershing Squ
deemed participants in any solicitation of Allergan or Valeant shareholders in respect of a Valeant proposal for a business com
Allergan is available in the solicitation statement. The solicitation statement can be obtained free of charge from the sources in

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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 a transactions described in this presentation. You should review Valeant s and Allergan s most recent annual and quarterly repo filed by Valeant and Allergan with the SEC. You should rely on your own independent analysis to assess the accuracy and con information contained herein. No representation, warranty or undertaking, expressed or implied, is or will be made and no resp will be accepted by Pershing Square or its affiliates or associates, or any of their respective directors, officers, employees, agen advisors, as to, or in relation to, the accuracy or completeness of the information contained in the presentation, or any other inf or omissions therefrom.

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Funds managed by Pershing Square and its affiliates are invested in Allergan common stock and other securities. Pershing Squ that are in the business of trading buying and selling securities and financial instruments. It is possible that there will be de that cause Pershing Square to change its position regarding Allergan, Valeant and the proposed Valeant-Allergan business com Square may buy, sell, cover or otherwise change the form of its investment in Allergan for any reason. Pershing Square hereby provide any updates or changes to the analyses contained here including, without limitation, the manner or type of any Pershin Square investment.

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Non-GAAP Financial Measures

This presentation includes certain non-GAAP financial measures, including but not limited to cash net income and EBITDA (c
GAAP financial measures). These non-GAAP financial measures should be considered only as supplemental to, and not as su
measures prepared in accordance with GAAP. Pershing Square believes that the presentation of these financial measures enhar
understanding of Valeant s and Allergan s financial performance. Pershing Square further believes that these financial measu
financial metrics to assess operating performance from period to period by excluding certain items that it believes are not repre
Valeant s and Allergan s respective core businesses. Pershing Square also believes that these financial measures provide inve
tool for assessing the comparability between periods of Valeant s and Allergan s respective abilities to generate cash from op
pay taxes, to service debt and to undertake capital expenditures. Pershing Square believes these financial measures are commo
investors to evaluate companies performance. However, the use of these non-GAAP financial measures in this presentation m
other companies in Valeant s and Allergan s industry. These non-GAAP financial measures should not be considered as alter
performance measures derived in accordance with GAAP.

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This presentation contains forward-looking statements. These forward-looking statements include, but are not limited to, staten
acquire Allergan, Valeant s financing of the proposed transaction, Valeant s or Allergan s expected future value and perform
operations and financial guidance), and the combined company s future financial condition, operation results, strategy and pla
be identified by the use of the words anticipates, expects, intends, plans, should, could, would, may, v
opportunity, tentative, positioning, designed, create, predict, project, seek, ongoing, upside, incr
expressions and include but are not limited to beliefs expressed regarding future performance. These statements are based upon
beliefs of Pershing Square and are subject to numerous assumptions, risks and uncertainties that change over time and could ca
materially from those described in the forward-looking statements. These assumptions, risks and uncertainties include, but are
and uncertainties discussed in Valeant s and/or Allergan s most recent annual or quarterly reports filed with the SEC and the
(the CSA) and assumptions, risks and uncertainties relating to the proposed merger, as detailed from time to time in Valeant
Important factors that could cause actual results to differ materially from the forward-looking statements we make in this prese
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 no
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
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
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 a
Valeant s and Allergan s ability to sustain and grow revenues and cash flow from operations in their respective markets and t
customer bases, the need for innovation and the related capital expenditures and the unpredictable economic conditions in the U
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 becon
and necessary capital expenditures, either through (i) cash on hand, (ii) free cash flow, or (iii) access to the capital or credit ma
Valeant s and Allergan s ability to comply with all covenants in their respective indentures and credit facilities any violation o
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 resp
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
are cautioned not to place undue reliance on any of these forward-looking statements. These forward-looking statements speak
of Pershing Square or any of its affiliates or associates, or any of their respective directors, officers, employees, agents, shareho
obligation to update any of these forward-looking statements to reflect events or circumstances after the date of this presentatio

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Executive Summary

There are two principal reasons we are calling for a special meeting

1)

To fix the special meeting provisions in Allergan s bylaws, which are unduly onerous and anti-shareholder

2)

To remove directors and propose the appointment of new directors who will engage with Valeant on its compelling and certain offer to acquire Allergan at a 50%+ premium to Allergan s unaffected share price

6
I
A Special Meeting is Warranted Given Allergan s Record of Poor
Corporate Governance
The Current Offer Justifies Board Engagement and Meets Investors
Asking Price
The Valeant Offer Satisfies the Prevailing M&A Proxy Fight Analytical Framework
Investors and Research Analysts Are Confident in Valeant s Operating Model
and the Strategic Combination
Risks in Allergan s Business Model
Allergan s History of Poor Cost Management
Allergan s Poor Track Record of Allocating Capital
II
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VIII
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IX

I. A Special Meeting is Warranted Given
Allergan s Record of Poor Corporate
Governance
7

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To date, Allergan s board has responded extremely poorly to Valeant s highly compelling and certain offer

Has refused to engage with Valeant

Has refused to meet with Pershing Square, Allergan s largest shareholder, without management present

Has attacked Valeant s business model and management with claims unsupported by factual evidence

A Special Meeting is Warranted Given Allergan s Record of Poor Corporate Governance

9

Members of the board of directors of a Delaware corporation faced with a takeover bid are required to inform themselves of all material information about a transaction and then act with care in evaluating it

By failing to authorize the board s advisors to meet with Valeant to address any of the board s stated concerns about Valeant, the board and its advisors have failed to do properly consider the Valeant transaction

A Special Meeting is Warranted Given Allergan s Record of Poor Corporate Governance (Cont.)

The board s actions have deprived shareholders of the opportunity to consider this offer

10
This board s recent behavior is consistent with Allergan s past poor corporate governance
Shareholders deserve the right to elect a board who will protect their interests as owners of the company
Shareholders also deserve the right to call a special meeting free of onerous provisions and impediments
We have proposed a special meeting, which Allergan has sought to suppress, to enfranchise shareholders
A Special Meeting is Warranted Given Allergan s Record of Poor Corporate Governance (Cont.)

ISS 2014 US Proxy Voting Guidelines:
In terms of day-to-day governance, shareholders may lose an important right the ability to remove directors or initiate a shareholder resolution without having to wait for the next scheduled meeting if they are unable to call a timely special meeting. Shareholders could also be powerless to respond to a beneficial offer if a bidder cannot call a special meeting.
Over the past few years companies have responded to shareholder resolutions seeking the right to call special meetings by offering management proposals with stricter requirements Such restrictions can be used as anti-takeover devices-impeding the removal of incumbent board members or delaying a takeover attempt of the company and, therefore, run counter to the stated intention of allowing shareholders to call special meetings.
Limitations on written consent are clearly contrary to shareholder interests Beneficial tender offers may also be precluded because of a bidder s inability to take action by written consent.
11
ISS Supports Special Meeting and Written Consent Rights as

Important Tools for Empowering Shareholders to Respond to
Attractive Offers

But the value of a shareholder meeting is precisely that it provides a definitive, authentic, and unassailable answer to the question of what shareholders want. Not every shareholder is in agreement on every issue, to be sure but shareholders in general, and institutional shareholders in particular, accept that the shareholder vote is the premier mechanism for the owners of the company to settle significant questions about the company s future.

Engagement can be a very effective mechanism for providing the board with insight; for settling complex questions about the company s future, however, it lacks the definitive authority of the shareholder vote itself.

ISS analysis on Darden Restaurants (April 24, 2014):

ISS recommendation: FOR the Consent to Request a Special Meeting

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ISS Supports Special Meeting and Written Consent Rights as Important Tools for Empowering Shareholders to Respond to Attractive Offers (Cont.)

25% of the vote required
Timing restrictions
Unduly onerous disclosure
requirements to make request
Restrictions on   similar items
Restriction on stock sales by
shareholders requesting a
special meeting
13
2012
Shareholder
Proposal
(% of votes cast)
(1)
Call special meetings with
10% of the vote
(55.3%)

2013
2014
Mgmt Rec.
ISS Rec.
Right to act by
written consent
(50.2%)
Separation of
Chairman / CEO
(50.5%)
AGAINST
AGAINST
AGAINST
FOR
FOR
FOR
Placed on ballot a year later but
with substantial restrictions
Placed on ballot a year later but
with substantial restrictions
No action taken, to date
Mgmt
Response
25% of the vote required
Timing restrictions
Restrictions on similar
items
N/A
Restrictions
(1)
Votes FOR as % of votes [FOR + AGAINST]
GL Rec.
FOR
FOR
FOR
Allergan has Used Procedural Restrictions to
Neuter Mechanisms for Shareholder Action

14
Allergan s Special Meeting Provision Provides a
Heavily Restricted Right
Requirement
for
shareholders
themselves
to
become
RECORD
OWNERS
Special
meetings
may
not
consider
any
Similar
Items
covered

at a
meeting in the previous year
By
which
the
Allergan
board
seeks
to
PROHIBIT
THE
ELECTION
OF
NEW
DIRECTORS
at
a
special
meeting,
even
if
current
Allergan
directors
are
removed
(1)
Unduly onerous disclosure requirements (with ongoing duty to update) for
requesting
shareholders
(e.g.,
2-year
trading
data,
relationships
with
AGN
employees
and
competitors)
Highly unusual requirement for Cede & Co. to itself submit individual
signed meeting requests (rather than granting the usual omnibus proxy)
The board determines, in sole discretion, whether meeting requests are
compliant
(1)
A
shareholder
derivative
lawsuit
is

pending in Delaware challenging the Allergan board s attempted application of Similar Items to replacing directors (*In re Allergan, Inc. Stockholder Litigation*).

To frustrate shareholder action, Allergan designed unnecessary restrictions to calling a special meeting

25%
of the voting power of the company s common stock required to
request a special meeting
The
meeting
request
must
be
IN
PROPER
FORM ,
meaning
the
requesting shareholders must make certain concessions including:
Representations
that
they
INTEND

TO
HOLD
THEIR
SHARES
through
the
date
of the special meeting
Acknowledgements that a sale of their Allergan shares prior to the meeting date
will constitute a corresponding reduction of shares in support of the special
meeting request, even if shares are repurchased prior to the meeting
Shareholders requesting the special meeting must continue to hold at
least
of
the
company s
shares
until
the
special
meeting
date
or
the meeting may be cancelled
15
Allergan s Special Meeting Provision Provides a
Heavily Restricted Right (Cont.)
To frustrate shareholder action, Allergan designed unnecessary
restrictions to calling a special meeting
25%

Allergan s Special Meeting Provision Provides a
Heavily Restricted Right (Cont.)

Allergan s special meeting timing restrictions effectively limit the special meeting window to only one meeting per year within a narrow three and one half-month period

Allergan s board can delay a special meeting by up to **120** days from the date requested

No requests are allowed from **90** days prior to the anniversary of the previous AGM until the adjournment of the next AGM

Illustrative Timeline:

Oct

Aug

Sep

Jun
Jul
May 7:
Assumes request is
made the first day
after the AGM
Nov
Dec
Jan
Mar
Apr
May
Feb
Management can delay
up to 120 days
Special meeting
window
May 6:
Anniversary of
previous AGM
90-days prior to
anniversary of AGM
Solicitation period:
a. ~2 weeks for SEC
clearance
b.
~4 weeks for proxy
solicitation
~3.5 months
To frustrate shareholder action, Allergan designed unnecessary
restrictions to calling a special meeting
16

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Allergan s bylaws as written provide onerous burdens

There are, however, misperceptions that need to be addressed

Shareholders are required to represent that they intend to hold shares through the special meeting

Shareholders are still permitted to sell their shares after announcing their intention to hold them, but any shares sold will not count towards the 25% requirement to call a special meeting

While the sale of a share revokes that share from the special meeting solicitation, the remainder of that investor s position will continue to qualify in support of the meeting

Misperceptions Regarding Calling a Special Meeting

18

25% of the company s shares are required to request a record date to act by written consent

Similar unduly onerous disclosure requirements (with ongoing duty to update) for requesting a record date as those to request a special meeting

Action by written consent cannot cover Similar Items considered at

a meeting in the previous 12 months, including the election of directors, or any business to be presented at a meeting to be held within 90 days

No consents can be dated or delivered until 90 days after delivery of the request for a record date

Stockholders cannot act by written consent if the Allergan board calls

a meeting to present a substantially Similar Item
A special meeting will allow shareholders to remedy these
problematic governance provisions as quickly as possible
Allergan s Written Consent Provision Provides the
Illusion of Shareholder Rights

19
On April 22
nd
, the same day that Valeant first announced its proposal,
Allergan adopted a poison pill that limits shareholder communication
On June 6
th
, Pershing Square asked Allergan to clarify, among other
things, that the solicitation and receipt of proxies would not trigger
the pill
In
Allergan s
June
11
th
reply, Allergan refused to respond directly on
this issue
Only after Pershing Square commenced an action in Delaware court
regarding this issue did management confirm that the solicitation of
proxies and certain related activities would not trigger the pill
Allergan s Board has Taken Steps to Obstruct a
Special Meeting
Allergan s board and management used ambiguity regarding the
poison pill to discourage the solicitation of proxies

20

Allergan shareholders must comply with a series of up to four procedural steps, each requiring extensive disclosure and documentation, to submit a request to call a special meeting

The Allergan board has launched a revocation campaign against calling a special meeting

To support a revocation, shareholders need only submit a simple proxy card providing their name and checking a box in one step

Allergan s Board has Taken Steps to Obstruct a Special Meeting (Cont.)

It takes up to four procedural steps to call a special meeting but only one step to support a revocation

Steps

4

1

Allergan management is soliciting against a fundamental right it has supposedly granted shareholders

Allergan
states
that
the
distraction
and
time
and
financial
cost
of
holding a meeting are the reasons why a special meeting should not be held

These costs would go away if Allergan would immediately engage with Valeant regarding the proposed transaction

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Allergan s Argument Against Holding a Special Meeting

Allergan Schedule 14A filed July 15, 2014

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Allergan has Ignored its Own
Corporate Governance Guidelines

Despite this clearly stated guideline, Allergan has refused any opportunity to discuss the Valeant proposal with the lead independent director without Mr. Pyott being present

Pershing Square first requested a discussion with Mr. Gallagher on April 23 . Allergan complied but included Mr. Pyott on the call

During the call, Mr. Ackman requested a meeting with Mr. Gallagher in executive session, which Mr. Gallagher rejected

Mr. Ackman proposed a subsequent conversation with Mr. Gallagher, but Mr. Gallagher refused to provide any contact details

Mr. Ackman offered to speak with Mr. Gallagher with the board s counsel present, but Mr. Gallagher again refused

On May 13
th
, Mr. Pyott told Mr. Ackman that he was the only member of the board
authorized to speak with shareholders

[Emphasis added]

Allergan s 2014 proxy supplement

Allergan s 2014 proxy statement
rd

23
Shareholder proposal passed
at 2014 AGM to separate
CEO/Chairman roles
Lengthy tenure may
impact independence and
objectivity
No skin in the game ,
limited alignment with
investors
(1)
ISS recommended AGAINST the re-election of Mr. Gallagher at the 2014 AGM for failing as Corporate Governance and Com
at the 2013 AGM to amend the corporate charter to allow shareholders to act by written consent. Although the Board did inclu
requirement that 25 percent of the outstanding shares are required to request a record date.
(1)
Members of Corporate Governance
Committee received lower than average
shareholder support at the 2014 AGM

Allergan s Board is Characterized by Long Tenures,
Low Stock Ownership, and Weak Governance
Shares Held
Committees
2014 AGM
Name
Title
Board
Tenure (Y)
Age
Shares
(000's)
% O/S
Audit /
Finance
Corp.
Gov.
Org. &
Comp.
Sci. &
Tech.
% Votes
ISS Rec.
GL Rec.
David E.I. Pyott
CEO / Chairman
16
60
234.2
<0.1%
91.4%
FOR
FOR
Michael R. Gallagher
Lead Director
16
68
39.2
<0.1%
C
C
66.7%
AGAINST
AGAINST
Deborah Dunsire, M.D.
Director
8
51
38.0
<0.1%

M
M
95.0%
FOR
FOR
Trevor M. Jones, Ph.D.
Director
10
71
7.5
<0.1%
M
C
88.5%
FOR
AGAINST
Louis J. Lavigne, Jr.
Director
9
65
20.0
<0.1%
M
M
94.9%
FOR
FOR
Peter J. McDonnell, M.D.
Director
1
55
5.6
<0.1%
M
M
88.3%
FOR
AGAINST
Timothy D. Proctor
Director
1
64
5.6
<0.1%
M
M
94.0%
FOR
FOR
Russell T. Ray

Director
11
66
27.2
<0.1%
C
M
94.2%
FOR
FOR
Henri A. Termeer
Director
0
68
2.5
<0.1%
M
M
95.0%
FOR
FOR
Source:
Name, title, tenure, age and committees per Allergan s proxy statement filed with the SEC March 26, 2014; Shares held per F
13, 2014 Glass Lewis report; and vote results per Allergan s Form 8-K filed with the SEC May 9, 2014.

ISS Has Identified a High Possibility of
Governance Risk at Allergan
24
Source: Institutional Shareholder Services.
(1) May 28, 2014 ISS Governance QuickScore Profile.
This May, ISS awarded Allergan a governance QuickScore of 8,
indicating
a
HIGH
POSSIBLILITY
OF
GOVERNANCE
RISK
(1)
The board did not adequately address a shareholder proposal supported by the majority of shares voted
ISS recommended AGAINST the re-election of Mr. Gallagher at the 2014 AGM for failing as Corporate Governance and Compliance Committee Chair to fully implement the

2013 shareholder proposal to allow action by written consent; Gallagher received
33.3% withhold votes
8 of 9 of directors received shareholder approval rates below the average (95%) level at the
most recent shareholder meeting
3 directors received below 90% of the vote
3 of 8 of the non-executive directors on the board have lengthy tenure
The roles of Chairman and CEO have not been separated even though a majority of
shareholders voting approved a proposal to separate at Allergan s 2014 AGM
Shareholder
rights
(9
/10;
10
is
the
lowest
ISS
ranking)
The company has a poison pill in effect with a 10% trigger threshold
25% of share capital is needed to convene a special meeting or act by written consent
Board
structure
(10
/10;
10
is
the
lowest
ISS
ranking)
There are material restrictions on shareholders right to call special meetings or
act by written consent

25

The existence of a poison pill makes it impossible for shareholders to take advantage of Valeant s exchange offer for Allergan shares

Without a special meeting, Allergan s board could disenfranchise shareholders on this transaction until the company s next AGM

Allergan could delay the company s 2015 AGM beyond next May

In the meantime, we believe there is significant risk to shareholder value at Allergan

Valeant may be forced to or choose to abandon the transaction

Allergan s board could take value-destructive actions to thwart the Valeant offer

The special meeting provides shareholders an important opportunity to:

Create a path to completion of a compelling offer

Rectify onerous bylaw and charter provisions that disenfranchise shareholders

Why a Special Meeting is Necessary to Protect

Shareholder Rights

At the Special Meeting, shareholders can vote to remove Allergan directors

Pershing Square will propose to remove six of Allergan s nine directors, to be replaced with new candidates Pershing Square has identified

If the Allergan board refuses to appoint these new directors, shareholders of 10% or more can seek a summary election

§223
(c)
provides
in
relevant
part:

A Viable Path to Effect a Deal

26
at

the
time
of
filling
any
vacancy
or
any
newly
created
directorship,
the
directors then in office shall constitute less than a majority of the whole board (as constituted immediately prior to any such increase), the Court of Chancery may, upon application of any stockholder or stockholders holding at least ten percent of the voting stock
. . . summarily order an election to be
held to fill any such vacancies or newly created directorships, or to replace the directors chosen by the directors then in office
.
.
.
If,
under Delaware General Corporation Law § 223 (c)

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Receipt of 25%+ support for the special meeting will put pressure on the board to engage with Valeant

A director s removal is not just embarrassing but permanently impairs the removed director s career as a public company director

Because negotiating the best price for Allergan with Valeant and other possible buyers could take several months, we would be prudent to begin negotiations shortly

In our experience, when boards see the writing on the wall, they do the right thing

A More Sensible Path to Get There Sooner

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Allergan shareholders get paid sooner

Reduces shareholder exposure to Allergan operational and deal risk

Reduces risk of financing and equity market instability

An executed merger agreement legally binds Valeant

Allergan will likely have a fiduciary out in a merger agreement so alternative deals are still possible

Compelling Reasons for Near-Term Engagement

29
Betsy Atkins (61)
Chief Executive Officer of Baja LLC
Cathleen P. Black (70)
Senior Advisor at RRE Ventures LLC
Pershing Square is Proposing a Slate of Qualified and
Independent Nominees to Protect Shareholder Interests
Fredric N. Eshelman (65)
Principal of Eshelman Ventures, LLC
CEO of Baja LLC, an independent venture capital firm focused on technology, renewable sciences, and sciences, since 1994
Co-founded several successful high tech and consumer companies, including Ascend Communications, which was sold to Lucent Technologies in 1999 for $24 billion
Formerly CEO and Chairman of Clear Standards, an on-demand enterprise energy management sustainability software company,
from

2008
to
2009,
at
which
time
it
was
acquired
by
SAP
AG.
Former
Chairman
of
the
Board
of
Directors
of
Third
Screen Media, a company that was eventually sold to AOL
Has served as a director of Polycom, Inc. since April 1999, Schneider Electric, SA since April 2011, HD Supply Holdings, Inc since September 2013, and Ciber Inc. since July 2014. Formerly served on the Boards of Directors of Human Genome Sciences Inc., HealthSouth Corporation, Vonage Holdings Inc., Towers Watson & Co., Reynolds American Inc., SunPower Corporation, and Chico s FAS, Inc. Has agreed she will remain on only three other boards if elected to Allergan s board
Senior Advisor at RRE Ventures LLC, an early stage venture capital firm, since 2011, and has served on the boards of two of RRE Ventures LLC s portfolio companies, Yieldbot Inc. and Bark & Co Inc. She is also a board member of PubMatic, Inc. Previously served as President of Hearst Magazines and also served as a director of the Hearst Corporation from January 1996 until late 2010. Served as President of USA Today from October 1983 until June 1991 and was a board member of the parent company, Gannett Co.
Served as a director of Vibrant Media Inc., a global leader of in-content contextual technology, from October 2012 until 2013, served as an independent director of International Business Machines Corp. from 1995 until 2010, and served as a director of The Coca-Cola Company from 1992 until 2010
Principal at Eshelman Ventures, LLC, which is a fund that invests primarily in early-stage healthcare
Served as Founding Chairman of Furiex Pharmaceuticals, Inc., a drug development company, from its founding in 2009 until the sale of the company to Forest Laboratories LLC in July 2014 for $1.5 billion. Founded Pharmaceutical Product Development (PPD), an international contract research organization, and served as the CEO of PPD until 1989 and from July 1990 until July 2009, Vice Chairman of its board of directors from July 1993 until July 2009, and Executive Chairman from
July
2009
until
its
sale
to
private
equity
in
2011

for $3.9 billion. From 1989 until 1990, Dr. Eshelman was Senior Vice President of Development at Glaxo, Inc. and served on the board of the U.S. subsidiary of Glaxo Holdings plc. Currently serves as director on several private company boards. Served on the board of Princeton Pharma Holdings LLC from February 2008 until May 2010, when it was acquired by Valeant Pharmaceuticals International, Inc.

30
Steven J. Shulman (63)
David A. Wilson (73)
John J. Zillmer (58)
Pershing Square is Proposing a Slate of Qualified and
Independent Nominees to Protect Shareholder Interests
Managing Director of Shulman Ventures, Inc.
Former President and CEO of the Graduate Management Admission Council, a not-for-profit association dedicated to creating access to graduate management and professional education, a position he held from 1995 until December 2013
Has served as a Director for CoreSite Realty Corporation since 2010 and Barnes & Noble, Inc. since 2010. Served as a Director for Terra Industries, Inc. from 2009 until 2010 and Laureate Education, Inc. from 2002 until 2007.
Worked in various capacities for Ernst & Young LLP from 1978 until 1994. Also held faculty positions at Queen s University from 1968 until 1970, the University of Illinois at Urbana Champaign from 1970 until 1972, the University of Texas from 1972 until 1978, and Harvard University s Graduate School of Business from 1976 until 1977
Former President and CEO of the Graduate Management Admission Council
Former Executive Chairman of Univar, Inc., a position he held from May 2012 until December 2012. Served as Director, President and CEO of Univar, Inc. from 2009 to May 2012.
Served

as
Chairman
and
CEO
of
Allied
Waste
Industries,
Inc.
from
2005
until
2008,
at
which
time
Allied
Waste
Industries, Inc.
merged with Republic Services, Inc. Served as Executive VP of ARAMARK Corporation from 2000 until 2004
Has
served
as
a
Director
of
Veritiv
Corporation
since
June
2014,
Reynolds
American
Inc.
since
2007
and
Ecolab
Inc.
since
2006. Has also served as Director of Liberty Capital Partners, Investment Arm, a private equity and venture capital firm specializing in startups, early stage, growth equity, buyouts, and acquisitions, since June 2004
Former President, CEO and Director of Univar, Inc.
Managing Director of Shulman Ventures Inc., a private equity firm, and has been a strategic advisor to Water Street Healthcare Partners, a health care private equity firm, since 2008
Served as Chairman of Health Management Associates Inc. from 2013 until January 2014, and served as Chairman and CEO of Magellan Health Services, Inc. from 2003 until 2009
Founded and was Chairman and CEO at Internet Healthcare Group, LLC, a health care services and technology venture fund, from 1999 until 2003, and served as the Chairman, President and CEO of Prudential Healthcare, Inc. from 1997-1999
Has served as Chairman of CareCentrix, Inc. since 2008, Access MediQuip, LLC since 2009, and Accretive Health, Inc.

since 2014, and has served on numerous privately held company boards

31

In addition to providing a forum to vote on the proposed transaction, the special meeting will allow shareholders the opportunity to fix Allergan s egregious special meeting bylaws

If Allergan s special meeting bylaws are allowed to stand, they will be widely promoted by defense firms and will likely be widely adopted in Corporate America

32
We encourage shareholders considering supporting the Pershing Square special meeting consent solicitation to contact D.F. King, our proxy solicitor, with any questions about the process:

Ed McCarthy
D.F. King
(212) 269-5550
emccarthy@dfking.com

II. The Current Offer Justifies Board Engagement and Meets Investors
Asking Price
33

34
On April 22
nd
, Valeant announces initial offer to acquire Allergan for 0.83
Valeant shares and $48.30 per share in cash
On May 12
th
, Allergan rejects initial Valeant offer
On May 27
th
, Allergan publishes presentation attacking Valeant s
business model and management team
Allergan
publishes
subsequent

presentations
on
June
10
th
and
July
14
th
On May 28
th
, Valeant raises cash component of offer to $58.30 per share
plus a contingent value right for DARPin
On May 30
th
, in response to investor feedback, Valeant raises cash
component
of
the
offer
to
$72.00
per
share
and
commits
to
not
raise
offer
again
without
substantial
engagement
from
Allergan
Valued at Valeant s current share price, the current offer implies a ~50%+
premium to Allergan s unaffected trading price and 23x+ EBITDA multiple
On June 23
rd
, Allergan s board unanimously rejects Valeant s revised bid
and describes the bid as   grossly inadequate
History of the Transaction
Pershing Square is Allergan s largest investor with 9.7% ownership

35
Source:
Company filings and FactSet as of 7/14/14.
Note:
Mean and median values do not include proposed Allergan / Valeant transaction.
Roche / Genetech and Novartis / Alcon transactions excluded because they were multi-stage acquisitions.
(1)
Total includes upfront and contingent payments at face value.
(2)
(3)
AstraZeneca / MedImmune unaffected date of 4/12/07.
(4)
Valeant / Allergan unaffected date of 4/10/14.
(5)
Sanofi-Aventis / Genzyme unaffected date of 7/1/10.
(6)
Based on most recent offer on 7/14/14.
(7)

Schering financials converted using 3/23/06 exchange rate of 1.198 USD / EUR.
(8)
Bayer / Schering unaffected date of 3/13/06.
(9)
Pfizer / Wyeth unaffected date of 1/22/09.
(10)
Pharmaceutical M&A transactions over $15 billion in last 10 years (ranked by upfront premium paid)
(7)
(10)
(4)
(5)
(3)
(8)
(10)
(9)
The Offer is Compelling Even When Valued at Valeant s
Current
Share
Price:
The
Look-Through
Value
of
the
Deal
(6)
Transaction Value
Premium to
Implied EV /
Implied EV /
Date
($ in billions)
Form of
Unaffected Price
LTM Revenue
(2)
LTM EBITDA
(2)
Acquiror
/
Target
Announced
Upfront
/
Total
(1)
Consideration
Upfront
/
Total

(1)
Upfront
/
Total
(1)
Upfront
/
Total
(1)
/
4/23/07
$16
Cash
54%
11.3x
NM
/
4/21/14
$53
+
CVR
Cash / Stock
48%
+
CVR
7.9x
+
CVR
22.8x
+
CVR
/
2/16/11
$20
/
$24
Cash
48%
/
76%
4.8x
/
5.8x
17.9x
/
21.4x
/
6/20/14
$56
Cash & Stock

42%
10.9x
25.9x
/
3/9/09
$41
Cash & Stock
34%
2.5x
10.3x
/
3/23/06
$20
Cash
33%
2.9x
12.2x
/
1/25/09
$68
Cash & Stock
29%
2.8x
8.2x
/
2/18/14
$25
Cash & Stock
27%
6.5x
34.3x
Mean
$35
$36
38%
42%
6.0x
6.1x
18.1x
18.7x
Median
$25
$25
34%
34%
4.8x
5.8x
15.0x
16.8x
Forest Laboratories LTM revenue and EBITDA pro forma for Aptalis acquisition.

Implied EV based on total transaction value including contingent payments.

36
Proper Way to Value the Proposed Transaction
Valued on an unaffected basis, this transaction is a merger between a $42 billion equity market cap company, Valeant, and a $35
billion
company,
Allergan
1
Allergan shareholders will own 44% of the combined company
In such a stock transaction, one cannot value the offer using the current market value of the acquirer s common stock
Investors must use the projected value of the combined entity, considering any cost and revenue synergies, strategic benefits of the transaction, and likely changes to the multiple investors assign to the earnings of the combined company in their valuation
Compare this transaction to one where target company shareholders will own a minimal amount of the combined company
In

that
case,
this
logic
does
not
apply,
and
investors
could
use
the
current market value of the acquirer's stock to value the offer

(1) Reflects Allergan s market capitalization as of April 10, 2014, the day before Pershing Square began its rapid accumulatio
April 21, 2014, the day before Valeant announced its bid to acquire Allergan.

37
Valeant management believes the transaction delivers immediate accretion of ~25% to Valeant s 2014 EPS on a pro forma basis (1)

We believe transaction uncertainty created by Allergan s obstructionism has kept Valeant s stock price from reflecting the transaction s benefits

We believe merger arbitrage activity has affected Valeant s stock price

Short interest is 4x the average level prior to deal announcement

Arbitrage investors require compensation for uncertainty and time value of money

We believe Valeant s current stock price does not reflect the anticipated value of the combined entity, including synergies,

and therefore serves as a poor measure to evaluate the offer
We Believe Valeant s Current Stock Price Does
Not Reflect the Full Value of the Offer
Based on EPS of $8.55-$8.80 standalone and $10.69-$11.00 pro forma (Valeant management estimates May 28, 2014 and Ju
(1)

We believe Allergan s board has erred in using Valeant s current stock price to value the transaction

We believe a valuation that takes into account the fair value of the
combined company, of which Allergan investors will own ~44%, is the proper methodology for valuing the offer

Per Share
Cash
Consideration
Per Share
Equity
Consideration
$72
$151
$223
$10.85 x 16.8 p/e = $182 per share

38
Using the Fair Value of the Combined Company
Implies a Considerably Higher Offer Value
Valeant
Stock
Price
Exchange
Ratio
$182
0.83
Total
(1)
Source
=
Management
estimate,
Valeant
June
2
presentation
(2)
Source
=
Management
estimate,
Valeant
May
28
presentation
Equity Consideration
Calculation
nd
th
Pro-Forma
2014
EPS
=
$10.85
(1)
Blended
Unaffected
2014
P/E
Multiple
=
16.8x
(2)

39

Independent Investment Research Validates Pershing Square s Valuation Methodology

40

Independent Investment Research Validates Pershing Square s Valuation Methodology (Cont.)

Louise Chen, Guggenheim; Pershing Square and VRX Getting More Aggressive on Consummating AGN Deal , June 2, 2014:

We also think it is compelling that AGN shareholders can get the $180 deal they wanted now (without assuming an increase in VRX s stock price) and this excludes the DARPin CVR as well as any potential upside from an increase in VRX s stock price driven by certainty of a deal. We estimate AGN shares could be worth as much as $225 if the Street appropriately values the combined entity, and it would be hard for AGN to trump this with other potential options, in our view.

Investor View of
Value -
J.P. Morgan
Survey
(1)
41
J. P. Morgan s May 16
th

May 20
th
survey suggests investors are
seeking a $160 to $200 per share acquisition price:
Following Allergan s May 12
th
revised long-term plan announcement,

J.P. Morgan conducted a survey of 123 Allergan investors
~77% of those surveyed believe an offer of $160-$200 per share will be sufficient
Based on the surveyed investors
expected value of the combined company, Valeant s current offer is worth $188-$221
Combined Company
Stock Price
$140
$180
Implied Offer Value
$188
$221
We Believe the Current Offer Meets Investors
Asking Price
(1)
60% of survey respondents believe the combined company would be worth $140 to $180 per share

42
Pharmaceutical M&A transactions over $15 billion in last 10 years (ranked by upfront premium paid)
Even More Compelling Deal When Valued at the Fair Value
of the Combined Company: The Fair Value * of the Deal
*: Assumes fair value of $223 per
share as per page 38av c
+-.
Transaction Value
Premium to
Implied EV /
Implied EV /
Date
($ in billions)
Form of
Unaffected Price
LTM Revenue
(2)
LTM EBITDA
(2)

Acquiror
Target
Announced
Upfront
/
Total
(1)
Consideration
Upfront
/
Total
(1)
Upfront
/
Total
(1)
Upfront
/
Total
(1)
4/21/14
$70
+
CVR
Cash / Stock
91%
+
CVR
10.6x
+
CVR
30.3x
+
CVR
4/23/07
$16
Cash
54%
11.3x
NM
2/16/11
$20
/
$24
Cash
48%
/
76%
4.8x
/

5.8x
17.9x
/
21.4x
6/20/14
$56
Cash & Stock
42%
10.9x
25.9x
3/9/09
$41
Cash & Stock
34%
2.5x
10.3x
3/23/06
$20
Cash
33%
2.9x
12.2x
1/25/09
$68
Cash & Stock
29%
2.8x
8.2x
2/18/14
$25
Cash & Stock
27%
6.5x
34.3x
Mean
$35
$36
38%
42%
6.0x
6.1x
18.1x
18.7x
Median
$25
$25
34%
34%
4.8x
5.8x

15.0x
16.8x
/
/
/
/
/
/
/
/
/
(7)
(10)
(4)
(5)
(3)
(8)
(10)
(9)
(6)
Source:
Company filings and FactSet as of 7/14/14.
Note:
Mean and median values do not include proposed Allergan / Valeant transaction.
Roche / Genetech and Novartis / Alcon transactions excluded because they were multi-stage acquisitions.
(1)
Total includes upfront and contingent payments at face value.
(2)
Implied EV based on total transaction value including contingent payments.
(3)
Valeant / Allergan unaffected date of 4/10/14.
(4)
AstraZeneca / MedImmune unaffected date of 4/12/07.
(5)
Sanofi-Aventis / Genzyme unaffected date of 7/1/10.
(6)
Based on most recent offer on 7/14/14.
(7)
Schering financials converted using 3/23/06 exchange rate of 1.198 USD / EUR.
(8)
Bayer / Schering unaffected date of 3/13/06.
(9)
Pfizer / Wyeth unaffected date of 1/22/09.
(10)
Forest Laboratories LTM revenue and EBITDA pro forma for Aptalis acquisition.

Dow Jones
04/10/2014
07/14/2014
% Change
Implied AGN
share price
Look-Through Price as
a % premium to
implied price
Fair Value as
a % premium to
implied price
S&P 500
1,833.1
1,977.1
7.9%
$125.79
37.1%
77.3%
S&P 1500 Pharma
523.0
564.7
8.0%
$125.93
37.0%
77.1%
Dow Jones
16,170.2
17,055.4
5.5%

$123.01
40.2%
81.3%
Allergan Proxy Peers
100.0
111.4
11.4%
$129.92
32.8%
71.6%
43
Source:
FactSet.
(1)
Implied Allergan share price based on relative change in index price from unaffected price of $116.63 on April 10, 2014.
(2)
Per Allergan proxy statement dated March 26, 2014 (Abbott Laboratories, Amgen, Biogen Idec, Bristol-Myers Squibb, Celgen
Gilead Sciences, Johnson & Johnson, St. Jude Medical, Stryker Corporation, and Valeant Pharmaceuticals). Excludes Forest L
on July 1, 2014.
(2)
Peer movements since the unaffected date imply a 33% to 72%
premium over a standalone Allergan today
(1)
Even Adjusted For Peer Movements, the Offer is
a Large Premium

The Offer Represents a Large Premium to Analysts
Pre-bid 12-Month Price Targets
The
offer
is
a
28%
to
65%
premium
to
analysts
12-month
price
targets prior to Valeant s initial public offer
Fair Value
Median

Look-Through Price
(1)
(1)
$130
$138
$145
$150
$125
$142
$135
$135
$109
$130
$135
$125
$140
$145
$124
$140
$130
$132
Prior to 4/21/2014
Broker
12-Month Target Price
Bank of America
Barclays
BMO Capital Markets
Buckingham Research Group
Cowen and Company
Credit Suisse
Goldman Sachs
Guggenheim Securities LLC
JPMorgan
Piper Jaffray
RBC Capital Markets
Sanford C. Bernstein & Co
Sterne, Agee & Leach
Stifel
SunTrust Robinson Humphrey
Susquehanna Financial Group
UBS
William Blair & Co
Median
12 mo.
Price Target
$172.50 offer as a %
premium
$223 offer as a %
premium
Median

$135.00
27.8%
65.2%
Source:
Bloomberg, FactSet.
Note:
$172.50/share offer based on closing prices as of July 14, 2014.
(1)
Currently advising Allergan on the Valeant proposal.
44

Valeant s revised proposal offers substantial value to AGN
shareholders and is highly superior to AGN s standalone value
What Valeant s proposal offers:
$72 of cash per share
$9.01 of Valeant 2014 earnings
per AGN share
(1)
+ DARPin CVR
What standalone AGN offers:
$0 cash
2014 EPS Guidance = $5.69
Or, if $72 of cash is reinvested in
additional VRX shares at $121/share:
$15.46 of Valeant 2014 earnings
per AGN share
(2)

+ DARPin CVR
(1)
$9.01= 0.83 x 10.85 2014 Pro Forma VRX EPS
(2)
$15.46 = 1.425 x 10.85 2014 Pro Forma VRX EPS
272% increase in earnings
per AGN share
45
How Some Large Shareholders Are Thinking
About The Transaction

The Valeant proposal offers ~$15.50 of EPS in 2014. Allergan
offers ~$14 of EPS in 2019
What Valeant s proposal offers:
What standalone AGN offers:
2019 EPS Guidance = ~$14
$0 cash
If $72 of cash is reinvested in
additional VRX shares at $121/share:
2014 $15.46 earnings per AGN
share
(1)
+ DARPin CVR
(1)
$15.46 = 1.425 x 10.85 2014 Pro Forma VRX EPS
46
We Believe Valeant Offers More Value in One Year than
Standalone Allergan is Projected to Offer in Five Years

III. The Valeant Offer Satisfies the
Prevailing M&A Proxy Fight Analytical
Framework
47

Descriptions
Score
Transaction
premium
48% premium to Allergan's unaffected closing share price of $116.63 on April 10, 2014 (see page 101 for unaffected price chart), the final trading day before Pershing Square started to rapidly accumulate shares
Transaction
multiple
7.9x EV/LTM Revenue
22.8x EV/LTM EBITDA
43.0x LTM P/E
Unaffected
standalone price
Offer represents ~33% -
40% premium over Allergan s standalone price today
Analyst price
targets
Valeant/Pershing Square's cash and stock offer is a 28% premium to the median

Allergan equity research analyst price target prior to Valeant/Pershing Square s
initial public offer
(1)
Deal spread
Currently trading 3.2% below the offer
(2)
Long-term investor
feedback
Fundamental investors reportedly seeking $180 take-out price
Source:
Company SEC filings, Bloomberg, FactSet.
(1)
Based on analyst price targets prior to April 21, 2014.
(2)
Based on closing price of $167.02 as of July 14, 2014 close.
48
Adequacy of the Offer Scorecard:
Look-Through Price

Descriptions
Score
Transaction
premium
91% premium to Allergan's unaffected closing share price of $116.63 on April 10, 2014 (see page 101 for unaffected price chart), the final trading day before Pershing Square started to rapidly accumulate shares
Transaction
multiple
10.6x EV/LTM Revenue
30.3x EV/LTM EBITDA
56.3x LTM P/E
Unaffected
standalone price
Offer represents ~72% -
81% premium over Allergan s standalone price today
Analyst price
targets
Valeant/Pershing Square's cash and stock offer is a 65% premium to the median

Allergan equity research analyst price target prior to Valeant/Pershing Square s
initial public offer
(1)
Deal spread
Currently trading 25.1% below the offer
(2)
Long-term investor
feedback
Fundamental investors reportedly seeking $180 take-out price
Source:
Company SEC filings, Bloomberg, FactSet.
(1)
Based on analyst price targets prior to April 21, 2014.
(2)
Based on closing price of $167.02 as of July 14, 2014 close.
49
Adequacy of the Offer Scorecard:
Fair Value

Certainty of the
offer
Adequacy of the
offer
Appropriateness
of the board s
response
Partnership with Pershing Square and action to date indicate Valeant is a serious buyer
No financing contingency; Tender offer launched; Sale of assets to comply in advance with likely HSR issues; Initiated HSR review
Investors and research analysts endorse Valeant s operating model and the strategic merits of the deal
Offer is compelling by transaction multiples and premiums
The offer represents an attractive premium to the unaffected standalone price today absent Valeant s offer, as well as to the 12-

month analyst price targets before the initial bid
Offer
meets
the
asking-price
of
long-term
investors
Downside risk is significant
To date, the Allergan board has not responded properly by refusing to engage with Valeant to perform due diligence on the transaction proposal, and by attempting to thwart Pershing Square s special meeting process to determine the will of shareholders
50
The Valeant Offer is Certain and Attractive

IV. Investors and Research Analysts Are
Confident in Valeant s Operating Model and
the Strategic Combination
51
*
*
*
*
*
*
*
*
*
*
****

52
Substantial Overlap of Ownership
The large percentage of Allergan shareholders who also own
Valeant stock reflects their confidence in Valeant s currency
We
believe
this
deal
will
eventually
go
to
AGN
shareholders,
who
are
interested
in
maximizing
value.
Given
the

reported over 50% overlap in VRX/AGN shareholders, we believe that most AGN shareholders are familiar enough with Valeant s business model to invest in the combined entity.

Alex Arfaei, BMO; New Offer in Line With Our Expectations; Good Sale of Assets, Impressive Presentation , May 28, 2014:

53
Research Analysts
Recommendations Suggest
that Valeant s Stock is Undervalued
Source:
Bloomberg.
Note:
Most recent recommendations and price targets as of July 14, 2014.
Median analyst price target of $168 per share represents a 39%
premium to Valeant s current share price
Broker
Price Target
Rec.
Aegis Capital Corp.
$180
Buy

BMO Capital Markets
$165
Outperform
Canaccord Genuity Corp
$168
Buy
Cantor Fitzgerald
Buy
CIBC World Markets
$160
Sector Outperform
CRT Capital Group
$170
Buy
FBR Capital Markets
$153
Outperform
Guggenheim Securities LLC
$178
Buy
Jefferies
$154
Buy
JPMorgan
$180
Overweight
Morningstar, Inc
Buy
Paradigm Capital Inc
$175
Buy
Piper Jaffray
$151
Neutral
Stifel
$165
Buy
Susquehanna Financial Group
$170
Positive
TD Securities
$160
Buy

Goldman Sachs was Very Bullish on Valeant Prior to Becoming
Allergan s Advisor and Suspending Analyst Coverage
As noted in Allergan s recent 14D-9, Goldman Sachs has
underwritten $22.35 billion of equity and debt offerings for
Valeant
54
Twelve days before Valeant s initial offer for Allergan,
Goldman Sachs published a final research report on
Valeant, with a Buy rating, a $164 price target, and
placement on the firm s Conviction List

55

Research Analysts Are Confident in Valeant s
Operating Model and the Strategic Combination

We believe that Valeant is in a strong position, both with respect to its base business and relative to the strategic growth opportunity that exists across the Pharmaceutical industry

Lennox Gibbs, TD Securities; Increased Clarity and a New Bid , May 29, 2014:

The CEO s extensive management consulting experience may provide unique insight into how to best avoid mistakes made by larger companies in the industry. For the last several years, since the merger with Biovail, Valeant has executed on an ambitious business development strategy that is unique among peers.

William Tanner, FBR; Allergan Bid Upped Again, and Pershing Square Goes All In for Stock--Looks Like a Best and Final Offer to Us , June 2, 2014:

56
Research Analysts Are Confident in Valeant s Operating
Model and the Strategic Combination (Cont.)
Whether the acquisition happens or not, however, we believe that
the
Valeant business model remains valid and we do not believe that Allergan
management s allegations regarding Valeant s strategy are valid.
Raghuram Selvaraju, Aegis Capital; Valeant Ups the Ante in Allergan Acquisition Bid , May
28, 2014:
We don t think that Valeant promotionally starves its brands, but rather
makes selective investments in highest value programs like Luzu and local
DTC the roll-up strategy is difficult, and Valeant s execution know-how and
experience
is
an
intangible

asset
that
will
continue
to
drive
value,
in
our
view.

Irina Rivkind Koffler, Cantor Fitzgerald; We Like Standalone Business, with AGN Upside; Maintain BUY, Increase PT to $209 , June 2, 2014:

Valeant has a strong track record of creating value by acquiring firms with solid product portfolios and investing only in late-stage/low-risk R&D. Management has proven that M&A can lead to better returns than early-stage R&D given Valeant s ability to strip out costs.

Stephanie Price, CIBC; Growth on Steroids: Initiating Coverage at Sector Outperformer , May 20, 2014:

57

Research Analysts Are Confident in Valeant s Operating
Model and the Strategic Combination (Cont.)

75% believe Valeant s $2.7 Bn synergy target for a potential AGN acquisition is realistic.

Chris Schott, J. P. Morgan; Buyside Survey Results Suggest Broad Expectation of a VRX-AGN Transaction , May 23, 2014:

We see the opportunity for significant cost synergies with this deal given the overlap in the VRX and AGN businesses and the possibility of tax savings given VRX's mid-single digit corporate tax rate.

Media-reported cost savings target of ~$2.5 bn would represent ~68% of AGN's combined 2014 SG&A and R&D expenses but we believe this could be achieved given the significant overlap in the two companies cosmetic and ophthalmology businesses and VRX's strong track record in achieving synergies from previous acquisitions. Simply removing this level

of expenses
from our AGN model by 2016 would suggest a DCF valuation for AGN
of
over $230/share, with additional upside possible when tax synergies are
factored in.

Vamil Divan, MD, Credit Suisse; VRX Takeout Could Complete a Rapid AGN Turnaround,
April 21, 2014:

(1)
Measured as of May 30th, 2014, other shareholders were offered an exchange ratio of 1.38 VRX shares per one AGN share. Th
in VRX stock at the then current market price of $131 per share.
(2)
~$600mm is measured as of May 30, 2014.
Pershing Square s All Equity Commitment Demonstrates
Confidence in the Value of the Combined Company
Pershing Square has committed to take all stock in the
transaction at an exchange ratio of 1.22659 VRX shares
per one AGN share
Pershing Square s exchange ratio is inferior to the offer
available to other Allergan shareholders
(1)
This commitment transferred ~$600 million of immediate
value to other shareholders in the transaction
(2)
Only if the value of the combined company reaches $180
per share will the value of Pershing Square s offer equal
that of other holders
Pershing Square s all stock election increased cash
available to other shareholders by ~$2 billion

58

V. Risks in Allergan s Business Model
59
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*
*
*
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****

Risks in Allergan s Business Model
60
Highly concentrated product portfolio
Large exposure to upcoming patent expirations
Large price increases have significantly
contributed to revenue growth
Limited to any disclosure about early-stage R&D

Highly Concentrated Portfolio
61
Allergan s top four drugs account for 64% of total revenue
Source: Sales for top drugs per Valeant management estimates. Total AGN sales per consensus estimates as of June 19, 2014.
Botox
32%
Restasis
16%
Lumigan
Franchise
9%
Alphagan
Franchise
7%
Other
Products
36%

High Exposure to Patent Cliffs
Allergan is currently benefiting from a window of patent exclusivity, but by 2027 Allergan will lose exclusivity on products comprising ~37% of current revenue
Products maintaining exclusivity or durability
(currently marketed products only, shown as a % of 2014E revenue)
Source:
Allergan
management
commentary,
Wall
Street
research,
Pershing
Square
estimates.
Total

2014E sales are as per Wall Street consensus estimates. Note: Assumes 100% of revenue lost in year of patent expiration. Uses year of patent expiration in the U.S. as a proxy for global patent expirations, except for Ganfort which uses the year of patent expiration in the EU since the drug is not marketed in the U.S. Assumptions for year of patent expiry by drug are Restasis 2024, Alphagan 2022, Lumigan 2027, Aczone 2016, Ganfort 2022, Ozurdex 2024, Latisse 2024, Lastacaft 2029. Patent data per-Allergan 10-K and FDA orange book.

62

Risk of successful patent challenges greatest for Life
Extension
patents

Allergan recently received negative news on Latisse, which employs the same active ingredient used in another AGN product, Lumigan

Allergan loses Latisse patent fight, jeopardizing up to $200M in sales

The U.S. Court of Appeals for the Federal Circuit in Washington has deemed a pair of Latisse patents invalid, paving the way for Novartis' Sandoz unit and the generics maker Apotex to sell their copies. The patents on Latisse--a variation of Allergan's Lumigan, used to treat glaucoma--cover ways to apply the drug to promote eyelash growth. But that growth is a known potential side effect of glaucoma treatments, the court ruled, rendering Allergan's patent claims obvious.

-
Fierce Pharma; June 11, 2014

63

Generics Manufacturers May Challenge
Existing Patents

Patent Cliffs + Concentration = High Risk
64
In 2013, Allergan s stock fell by 19% within one week, in large part due to increased risk of loss of exclusivity for Restasis, one of Allergan s largest products
6/20/13: FDA
issues guidance
on Restasis
generic pathway
Source: Bloomberg.
Share Price Performance of AGN from 5/1/13 to 6/30/13

Acuvail
Elestat
Lastacraft
Betagan
Zymaxid
Pricing has Driven Growth
65
Allergan has relied on large price increases to drive revenue growth, both historically and in 2014
7-9% Price
Increases in 2014
10%+ Price
Increases in 2014
Alphagan
Combigan
Lumigan
Restasis
Aczone

Tazorac
Avage
Azalex
Source: Wolters Kluwer: Medi-Span Price Rx and Valeant management estimates.
100%+ Price
Increases in 2014
Pred-G
Pred Miled
FML Forte
Bleph-10

60%
85%
64%
18%
Allergan Durable
% of Portfolio
Valeant Durable
% of Portfolio
Allergan Top 4
Products
Valeant Top 10
Products
Valeant has a Lower Risk Product Portfolio
66
Valeant s portfolio is both more durable and more diversified
Durability
Product Concentration
Source: Valeant management estimates.

60%
74%
64%
29%
Standalone
Allergan
PF Allergan +
Valeant
Standalone
Allergan
PF Allergan +
Valeant
67
The combined drug portfolio is expected to be more durable and
more diversified
Source: Valeant management estimates.
Durability
Product Concentration: Top 4
Drugs % of Total Sales
More durable

More
diversified
We Believe a Combination with Valeant Reduces
Portfolio Risk

Allergan s Black Box R&D Model
68
No project-level expense guidance
No guidance on expected returns from R&D investment
Limited visibility of R&D creates uncertainty
History of losses outside of low-risk projects
Compensation program promotes R&D spending without providing accountability for return on investment

Limited Project Level R&D Guidance
69
Despite a major forecasted increase in R&D spending, Allergan has not provided guidance on major areas of increased expenditure and the expected return on investment

Also, as a quick reminder, I have explained on several occasions that in the coming five or so years, there will be a major step-up in R&D from roughly $1 billion-plus this year to roughly $1.5 billion some five years from now.

David Pyott, Allergan Chairman and CEO; Q2 2013 Earnings Call, July 31, 2013:

And
then
as
a
second

question,
just
wondering
if
--
one
of
the
criticisms that we've heard of Allergan, at least as it relates to pipeline and the revelation of Phase II data, just wondering if there will be more disclosure around that going forward, or are we going to stick to sort of the same process of disclosure you simply -
-
primarily providing information for Phase III products at medical meetings?
Seamus Fernandez, Leerink Swann; May 12, 2014 Special Call:

70

Limited Project Level R&D Guidance

While the sales potential from Allergan s R&D pipeline remains opaque, peers such as Astra Zeneca give more detailed disclosure:

Source: Astra Zeneca May 2014 investor presentation.

Limited Visibility of R&D Creates Uncertainty
71
Given you had to set back both these expectations of products [Latisse for Scalp and DARPin] since you talked about last year at your R&D day. How should we think about your commitment to this growth and are you going to have to look elsewhere to drive this? Or are you still confident that you can grow Allergan organically from a revenue and earnings standpoint?
Shibani Malhotra, RBC Capital Markets; Q1 2013 Earnings Call, May 1, 2013:
Lack of visibility and risk inherent in an early-stage R&D model creates uncertainty for Allergan investors

72

Allergan s experience with DARPin demonstrates lack of visibility and risk inherent in an early stage R&D model

Scott, I don't mean to beat a dead horse, but if you could just provide us a little bit more color on what the magnitude of the benefit you saw over LUCENTIS. You said you did see that in some patients, maybe not in others. And what gives you confidence that the program will be delayed one to two years versus just a complete bust?

Jami Rubin, Goldman Sachs; Q1 2013 Earnings Call, May 1, 2013:

But if that's the case, I guess I'm a little curious, why were you so bullish on this product four months ago, five months ago? It made it seem like you had enough data to be very bullish on the product and now you're kind of saying, Well, maybe, we didn't have enough information?

Marc Goodman, UBS; Q1 2013 Earnings Call, May 1, 2013:

Limited Visibility of R&D Creates
Uncertainty -
DARPin
AGN shares fell 13% the day of Allergan s Q1 2013 earnings call

History of Losses Outside of Low-Risk Projects
73
Source: Valeant April 2014 investor presentation.

74
Source: Valeant April 2014 investor presentation.
History of Losses Outside of Low-Risk Projects

Incentives Matter
David Pyott is eligible to receive a bonus up to 25% of his base salary
if the company exceeds its annual R&D spending target
The R&D target rewards Allergan executives for R&D spending irrespective of the returns on that investment
By contrast, at Merck, management is compensated for achieving pipeline ROI and NPV goals
Poorly Designed R&D Reinvestment Compensation Target
Allergan
Management
Annual
Bonus
Targets
(March

26,
2014
Proxy)
David Pyott, Allergan Chairman and CEO; Q3 2009 Earnings Call:
75
Of course, R&D is not about the expenditure but it is about results.
Of course, R&D is not about the expenditure but it is about results.

Allergan s June 30th Pipeline Update Highlighted Flawed
R&D Strategy And Misunderstanding of Evolving Markets
Despite spending $1.3 billion on product acquisitions and $2.8 billion on R&D over the last three years, it remains unclear whether Allergan has any late-stage programs capable of moving the needle
Anti-VEGF DARPin
Efficacy
data,
to
date,
lack
sufficient
clinical
differentiation
vs.

incumbents
Significant safety concerns persist and may ultimately preclude adoption
Two entrenched market leaders with same the mechanism-of-action (anti-VEGF) limit market penetration if approved
Broad use of Avastin a major threat to marginally differentiated, late entrants
Anti-PDGF,
gene
therapy
and
combination
products
in
others
pipelines
competing
for
increasingly crowded AMD market
Semprana/Levadex
Overpaid for an asset that lacks clinical differentiation
Approval delays eroding opportunity as generics and new branded products enter market
Development of highly effective prophylactics (GCRP mAbs) may shrink opportunity
Ozuredex
Narrow label limits use to select patient sub-populations
Potential new competitor, Iluvien, as early as year-end 2014
Bimatoprost Sustained-Release
Use will be limited to patients who prefer injection in eyeball to daily drops
Outstanding pricing question: similar to generics or branded agents?
76

77
Marketed anti-VEGF Ab for wet AMD
Key pipeline product candidates for wet AMD
Source: Company filings, Clinical publications and Wall Street equity research.
(1)
Data taken from Phase 3 ANCHOR study involving Q4W Lucentis
The Crowded Competitive Landscape Raises Significant
Questions About DARPin s Market Potential That Are Amplified By
Program Delays And Marginal Phase 2 Data
(2)
Data taken from Phase 3 VIEW-2 study comparing Q4W Eylea with Q4W Lucentis
(3)
Data taken from 2011 CATT study that was conducted by the NEI comparing Q4W Avastin with
Q4W Lucentis
Product
Company

Developmental
Status
MOA
Combo With
VEGF?
Efficacy
Dosing regimen
Safety profile
AGN 150998
(Anti-VEGF
DARPin)
Allergan/
Molecular Partners
Phase 2b
Pan anti-VEGF
DARPin
No
2.0mg dose: +8.2 letters at 16 weeks
1.0mg dose: +6.3 letters at 16 weeks
(vs +5.3 letters w/ Lucentis)
Doses at the start of trial and after 4 and
8 weeks
(vs additional doses after 12 and 16
weeks w/ Lucentis)
2.0 mg dose: Ocular Inflammation in 8%
of patients
1.0 mg dose: Ocular inflammation in
13% of patients
Fovista
Novartis/
Ophthotech
Phase 3
Anti-PDGF
aptamer
Yes
1.5mg Fovista/Lucentis: +10.6 letters at
24 weeks
(vs +6.5 letters w/ Lucentis alone)
Currently investigating once a month
regimen for first 12 months, followed by
once every two months regimen for next
12 months
No imbalances in AEs or SAEs (ocular
or systemic) and no difference in
intraocular pressure between arms
ESBA-1008
Novartis/
Alcon
Phase 2
Pan-VEGF

inhibitor
No
Phase 2 efficacy data expected in
4Q2014
Currently investigating 7 injections vs 8
injections w/ Eylea in Phase 2 study
Phase 1/2 trial showed that doses were
well tolerated as assessed by the
absence of adverse events within 7
days of injection
ALG-1001
Allegro Ophthalmics
Phase 1/2
Integrin
inhibitor
No
+5 letters sustained for 3-4 months
demonstrated in subset of 15 wAMD
patients
Currently investigating regimen of three
monthly injections in six-month dose-
ranging study
No serious or significant adverse events
reported in Phase 1 human safety study
with DME patients
Ava-101
Avalanche
Phase 1/2
Anti-VEGF
No
Low dose: +8.7 letters after 52 weeks
High dose: +6.3 letters after 52 weeks
Currently investigating safety and
efficacy of a single injection in dose-
escalating study
Phase 2a top-line data expected in mid
2015
DE-120
Santen
Phase 1/2
Dual
VEGF/PDGF
inhibitor
No
Phase 1/2 efficacy data expected in
2Q2014
Currently investigating in dose-
escalating, sequential-cohort Phase 1/2
study
Phase 1/2 safety data expected in

2Q2014
Efficacy
Product
Company
Loss of <15 letters in
VA at 52 weeks
Gain of >15 letters in
VA at 52 weeks
Mean change in VA from
baseline at 52 weeks
Dosing regimen
Safety profile
Lucentis
(1)
Roche/
Novartis
91%
31%
+6.3 letters
Once a month
Arteriothrombotic: 4.7%
Death: 1.4%
Eylea
(2)
Regeneron/
Bayer/
Santen
95%
31%
+8.9 letters
(vs +9.4 letters w/ Lucentis)
Once a month for first 3 months,
then every 2 months thereafter
Arteriothrombotic: 3.3%
(vs 3.2% for Lucentis in head-to-head)
Avastin*
(3)
Roche
94%
31%
+8.0 letters
(vs +8.5 letters w/ Lucentis)
Once a month and PRN
Arteriothrombotic: 2.1%
(vs 2.3% for Lucentis in head-to-head)
Death: 1.4%
(vs 1.3% for Lucentis in head-to-head)
*Avastin usage for wet AMD is off-label

VI. Allergan s History of Poor
Cost Management
78
XXXXXXXX

Allergan s SG&A spending is well above other specialty and
global pharmaceutical companies
SG&A Expense as % of Total Revenue (2013)
Avg. (ex-AGN) = 26.2%
79
Over 800 bps above next highest peer
and over 1,200 bps above peer average
Source: Company filings, Pershing Square estimates.
Allergan s Elevated SG&A Expense
38.5%
30.4%
29.5%
27.5%
26.5%
26.0%
22.4%
21.4%
0.0%
5.0%
10.0%
15.0%

20.0%
25.0%
30.0%
35.0%
40.0%
45.0%
Allergan
Shire
UCB SA
Pfizer
Merck
Merck
KGaA
Valeant
Actavis

Jami Rubin, Goldman Sachs; Q4 2013 Earnings Call, February 5, 2014:
Analysts Recognize the Cost Opportunity but have
Repeatedly Questioned Management's Commitment
to Solving the Problem

You've talked about bringing your SG&A down to 35% over the last couple of years. But [I] understand why you are spending

as
much
as
you
did in terms of SG&A, but are you still thinking of taking the SG&A amount down to 35%? And what do you mean by medium-term and near-term because it's been four years now you've been saying that. How should we be thinking about it?

But in your contingency plans, I would imagine that there will be a lot of room to restructure, given how high your SG&A ratio is. Can you talk about how variable your costs are and how realistic it would be to bring down those costs ?

Shibani Malhotra, RBC Capital Markets; Q4 2011 Earnings Call, February 2, 2012:
Jami Rubin, Goldman Sachs; Q2 2013 Earnings Call, July 31, 2013:

And do you see a scenario where you could bring your SG&A ratio to the low 30s from, what 37%, 38%?

80

Maybe a last comment on SG&A, we ve said for some time now, we expect this to

gradually
trend
down
into
the
mid-30s.
As
a
company,
we ve
historically
been
very
high.
David Pyott, Allergan Chairman and CEO; Q3 2010 Earnings Call, Nov. 1, 2010:
Going back to SG&A leverage, we've always stated that
our target in the midterm is the mid-30s, so I'd reiterate
that. And clearly, this is not by cutting. It just means the
rate of increase for SG&A is lower than the rate of sales
growth.
David Pyott, Allergan Chairman and CEO; Q4 2013 Earnings Call, Feb. 5, 2014:
81
Well,
clearly,
we ve
stated
over
the
years
that
gradually,
the
SG&A
rates
will
come
down
into
the
mid-30s.
David Pyott, Allergan Chairman and CEO; Q4 2011 Earnings Call, Feb. 2, 2012:
SG&A Ratio
2010: 40%
2011: 40%
2013: 39%
Source: Company filings.
Allergan Management has Admitted that SG&A is
Very High
but has not Made Meaningful Progress
Solving the Problem

I think this will be more a case of evolution versus revolution.
David Pyott, Allergan Chairman and CEO; Response on Q3 2010 Earnings Call:
And one more big-picture question, I guess, for David. You talked a
little bit about going to SG&A levels of sort of 35% over time, anything
structurally that you're planning for next year?
David Buck, Buckingham; Question on Q3 2010 Earnings Call, November 1, 2010:
You're quite right that we've had very high SG&A ratios relative
to the
rest of the industry
So the good news is that we have a lot more room
for
maneuver
than
most
companies,
and

that
will
be
helpful
as
we
start
doing that form of scenario planning.
David Pyott, Allergan Chairman and CEO; Q2 2013 Earnings Call, July 31, 2013:
Allergan Management has Admitted that SG&A is
Very High
but has not Made Meaningful Progress
Solving the Problem (Cont.)
82

VII. Allergan s Poor Track Record of
Allocating Capital
83

Allergan has a Poor Track Record of
Allocating Capital
84
Flawed capital allocation framework
Questionable business development track record
Excess cash balances

For David and for Jeff, what's your philosophy on having a net cash position and whether you think that's ideal?

Can management better serve investors by maybe being more aggressive with cash deployment and maybe even taking advantage of some of these lower rates near term?

Gregg
Gilbert,
BofA
Merrill
Lynch;
Q1
2012
Earnings
Call,
May
2,
2012:

Frank Pinkerton, SunTrust Robinson; Q1 2011 Earnings Call, May 4, 2011:

My question is with respect to your capital allocation strategies. Wondering if you could provide an update now especially given your large cash balance and also your decision to potentially divest your obesity franchise.

Louise Chen, Guggenheim Securities; Q3 2012 Earnings Call, October 30, 2012:

85

Analysts have Repeatedly Questioned Allergan s Capital Allocation Strategy

I was wondering though if you and the board are open to deals that create economic value and add to franchise value even if they don't meet that [10%] revenue growth threshold?

Gregg Gilbert, Bank of America; Question on Q3 2013 Earnings Call, October 29, 2013:

David Pyott, Allergan Chairman and CEO; Response on Q3 2013 Earnings Call:

Allergan s interest in acquisitions seems to be motivated by growth for growth s sake rather than shareholder value creation

we would have no interest in buying, and I'll exaggerate, a product or a company that were only growing 2% or 3%, because

all
we
do
would
be
diluting our already really strong internal performance.
David Pyott, Allergan Chairman and CEO; Q4 2013 Earnings Call, February 5, 2014:
86
Flawed Capital Allocation Framework: M&A
Then your question on profile of potential companies, clearly, we're looking to franchises that have growth potential because Allergan is a growth company.

87

Capital return program is not designed to create shareholder value

Allergan s buyback program aims only to offset the dilution from stock based compensation

Valuation is not a consideration

Did not buy back shares last year when the stock fell to the $80-$90 per share range and stayed in that range for several months

Well, maybe ending with the easiest part. On share repurchase, over a long period of time, our goal has been to hold the share count roughly flat. We'll go up and down at the margin quarter-to-quarter, so the treasury is on the other side, if you like of the dilution caused by employees appropriately exercising their stock options.

David Pyott, Allergan Chairman and CEO; Q4 2013 Earnings Call, February 5, 2014:

Flawed Capital Allocation Framework:

Share Buybacks

And I think you as investors would prefer that we find good-return assets like that versus the very modest levels of return we can get by investing in the capital markets where, obviously, right now, the returns are very, very low indeed.

David Pyott, Allergan Chairman and CEO; Q3 2012 Earnings Call, October 30, 2012:

We have sufficient liquidity on our balance sheet that enables us to be proactive with respect to business development activities. Finding smaller opportunities that are very focused, you've noted, I'm sure, that we've been fairly active and aggressive in those areas. Finding that larger opportunity is a bit tougher and we're very disciplined how we go about it.

Jeff Edwards, Allergan CFO; Q1 2011 Earnings Call, May 4, 2011:

88

Management has Highlighted M&A as a Primary
Use of Cash in the Past

Allergan has Historically Not Been Able to
Identify Attractive Acquisition Targets
89

It would seem obvious to many of us that you should be hoping or seeking to leverage your balance sheet more aggressively. But when we talked to investors, some argue that there aren't actually many assets available in your therapeutic categories or in aesthetic and derm. So it's an issue that you'd like to be more aggressive, but can't find the assets?

Ken Cacciatore, Cowen & Company; Q3 2013 Earnings Call, October 29, 2013:

Between 2011 and 2013, Allergan generated $4.4bn of cash from operations but invested only $1.3bn of cash in acquisitions

Allergan s Acquisition Track Record is
Questionable
Inamed
90
In 2005, Allergan acquired Inamed Corporation for $3.3 billion
At the time of the acquisition, the obesity intervention business or LAP-BAND franchise represented approximately 30% of total Inamed sales
Post-acquisition, LAP-BAND was shown to be less effective than alternative therapies and insurers stopped covering it
In 2013, Allergan sold its obesity intervention business for $110 million and recorded a $408 million pre-tax loss on the sale
~80% of the net book value
(1)
of the business was written off
In addition, sales in Inamed s largest division, Natrelle breast aesthetics, profoundly disappointed with sales falling ~36% below Wall Street analyst expectations by 2010

(2)
Allergan sold nearly a third of the largest business it ever acquired for
3.3% of the aggregate purchase price
Source: Company filings, press releases.
(1) Based on the book value as of 12/31/2012 related to the obesity intervention business unit.
(2) 2010 actual sales compared to analysts revenue consensus on the same year sales as of three months after the acquisition in
As the only major acquisition during David Pyott s tenure, Inamed is not
an encouraging example of management s M&A acumen

Allergan s Acquisition Track Record is
Questionable
Sanctura Franchise
In September 2007, Allergan acquired Esprit Pharma, whose only major product line was the Sanctura franchise, for $371 million in cash
Allergan management stated that they expected peak-year revenue from Sanctura XR, a replacement for the original Sanctura formulation, of between $300 million and $400 million
Generic manufacturers challenged Allergan s patents on Sanctura XR in 2009, and filed applications to market generic equivalents
In the third quarter of 2010, Allergan recorded an impairment charge related to the Sanctura franchise of $369.1 million, or 99.6% of the initial purchase price
(1)
In April of 2012, a Delaware judge ruled in favor of the generic manufacturers and declared Allergan s Sanctura XR patents invalid
Three years after Allergan acquired Sanctura, the company recorded an impairment charge equal to the entire $371 million purchase price
Source: Company filings, press releases.
(1) Allergan 2013 10-K.
91

(1) Based on Allergan management estimate of peak-year sales of $500 million.
Allergan s Acquisition Track Record is
Questionable
MAP Pharmaceuticals (Levadex)
Forty-six days after Allergan spent $872 million to acquire Levadex, the
FDA rejected Allergan s second request to market the drug
In January 2011, Allergan and MAP Pharmaceuticals (MAP) established a
50/50 partnership to develop Levadex
The FDA rejected the companies
first request to market Levadex in March
2012, citing concerns about manufacturing of the product s inhaler
On March 1
st
, 2013, Allergan acquired MAP for $872 million
On April 16

th
, 2013, the FDA rejected Allergan s second request to market
Levadex, citing nearly identical concerns about the inhaler
In order to improve the quality of the inhaler device, Allergan spent an
additional $20 million to acquire Exemplar Pharma, maker of the inhaler
On
June
30
th
,
2014,
Allergan
reported
that
the
FDA
had
rejected
Levadex
a
third time
While Levadex is likely to be approved at some point, Allergan has lost at least
three
years
of
peak-year
market
exclusivity,
an
estimated
$1.5bn
of
sales
,
and
has allowed a competing product to enter their product launch window
92
(1)

Allergan s Acquisition Track Record is
Questionable
MAP Pharmaceuticals (Levadex)
93

And then David and Scott, I assume that Allergan is very confident in the provability of the product on taxpayers sooner but can you talk maybe more broadly how you --
or specifically, how you protected shareholders of Allergan in the event of an undesired FDA outcome?

David Pyott, Allergan Chairman and CEO; Response on January 23, 2013 M&A Call:

I think on my side, if I look at the risk of delay beyond the PDUFA date, this is just normal with any program that exists whether it's our internal program or an external. And of course, in this instance, we have been the partner of MAP from the very beginning. So our team and their team has worked hand in glove. So we're very well informed.

Gregg Gilbert, BofA Merrill Lynch; Question on January 23, 2013 M&A Call:
Allergan management took an inappropriate risk by buying MAP weeks before the Levadex FDA decision, despite working closely with MAP for years on the Levadex project
Analysts were appropriately concerned about an adverse FDA outcome:

94
The largest acquisitions of Pyott s tenure have all disappointed
Allergan s Largest Acquisitions, Using
~$5 Billion of Capital, Have All Disappointed
Semprana (Levadex)
3/23/06
99.6% of purchase price written
off as impairment charge
80% of net book value written off
Three FDA CRLs and resulting
multi-year delay has significantly
impaired the value of the asset
Sales have fallen >30% short of
expectations at the time of the
acquisition
$3.3Bn
*
$371M
$3.3Bn
*
$872M

10/16/07
3/1/13
3/23/06
Date
Tx value
*Lap-Band and Natrelle were acquired as part of the Inamed acquisition

VIII. Allergan s Shareholder Unfriendly
Compensation Policies
95

Allergan s Poorly Designed Executive
Compensation Program

Based on ISS executive compensation analysis, only 13% of David Pyott s total compensation in 2013 was tied to performance

ISS recently cautioned that the CEO s level of long-term incentive compensation was high relative to peers and was not conditioned on specific performance goals

By contrast, 68% of Valeant CEO Michael Pearson s total compensation in 2013 was performance-based incentive pay

In 2013, David Pyott received total compensation of $14.1 million while delivering 1-year TSR of 21.3%, in a year in which the S&P 500 TSR was 32.4%

The median total compensation received by CEO s in Allergan s proxy peer group was $14.5 million while delivering 1-year TSR of 65.8%

By contrast, Michael Pearson received total compensation of $7.0 million while delivering 1-year TSR of 96.4%, nearly three times the TSR of the S&P 500

Source: 2014 ISS reports of Allergan and its peer group as defined by the company in its proxy statement dated March 26, 201
96

97
Inadequate TSR Trigger (on one-time grants)
In 2012, CEO Pyott was granted 165,000 restricted stock units to
recognize over a decade of outstanding performance
To achieve maximum
vesting, total shareholder return must be 9% over
a five year period
9% is below the 10% minimum
TSR Valeant must achieve for any of
management s restricted stock to vest
Time-Vested Stock Options
Time-vested options comprise nearly all of senior management s long-
term equity compensation
The options have no performance trigger
The options are issued at the money, making them valuable even if
Allergan s share price growth is meager over the life of the option
Allergan s Poorly Designed Executive

Compensation Program (Cont.)

Allergan Management was Granted Options only
Months before Revised Guidance was Announced
Management s 2014 options grant was struck at an Allergan
share price of $124 in February 2014, three months before
management chose to announce its revised guidance
98
This implies one of the following:
Management was under-reporting the profit potential of the
business at the time of the options grant, or
Management s current estimate of Allergan s long-term earnings
is unrealistically high
In February, David Pyott was granted 257,756 options worth a
Black-Scholes
value
of
$13
million
1
These options are worth $22 million at Allergan s current $167
share price
1
(1) Option values calculated using a volatility of 27.5%.

Notably, management has not tied long-term compensation
to the new long-term financial plan
99
Annual Cash Incentive Compensation
Up to 200% of base salary possible if
goals are achieved
Long-Term Incentive Compensation
50% time-vested stock options
50% performance share units;
three-year annualized Total
Shareholder Return (TSR) vesting
Annualized
TSR (IRR)
% of
PSUs
vesting

Michael Pearson &
Howard Schiller
Valeant is all in
on aligning compensation with
performance
we challenge Allergan to do the same
Allergan Has Revised Its Long-Term Plan But Not Its
Compensation Policy
<10%
0%
10%
100%
20%
200%
30%
300%
Source: Valeant 2014 proxy statement.
Valeant
Management
Compensation
Structure
:

100

IX. We Believe There is Significant Downside to Allergan s Standalone Stock Price

Allergan s
unaffected
share
price
is
$116.63,
the
closing
price
on
April
10
th
,
the day before Pershing Square began its rapid accumulation program
Allergan
share
price

and
volume
from
2/25/2014
to
7/14/2014
30% Downside to AGN Shares if they Revert to
the Unaffected Share Price
Note: Chart shows Allergan s share price, volume, and the number of shares, delta-one options, and forwards purchased by Pe
Pershing Square began its purchases, to July 14, 2014. Share price and volume data are as per Capital IQ.
30% downside
to unaffected
share price of
$116.63
Apr. 9-10:
No
Pershing
purchases
101
Date Range
ADTV
1/1/2014 -
4/10/2014
4/11/2014 -
4/21/2014
4/22/2014 -
7/14/2014
2.6mm
6.8mm
4.1mm

High Trading Volume Since Initial Valeant Bid
102
Since Valeant s initial bid, trading in AGN shares has exceeded
88% of the company s float
April 22: Initial
VRX proposal
May 28: Second
VRX proposal
May 30: Third
VRX proposal
Source: Bloomberg, company filings.
Note:
%
of
float
traded
excludes

shares owned by Pershing Square and Valeant.

103
88%
(1)
of Allergan s float has changed hands since the initial VRX bid, likely indicating that many long-term AGN investors have sold shares

We believe selling shareholders recognize that the standalone value of Allergan is below the current AGN share price

We believe selling shareholders also recognize that value-destructive actions taken by Allergan management to scuttle the Valeant deal remain a risk

Recent buyers of Allergan shares likely support the transaction

Recent buyers have paid >$160 per share

We believe these buyers likely support the Valeant transaction and believe in the value creation of the business combination

We believe that recent sellers of AGN shares include long-term investors who fear that Allergan s board and management will not act to maximize shareholder value

(1) % of float traded excludes shares owned by Pershing Square and Valeant.

Long-Term Investors See Risk

$172.50
(1)
Look-Through Price
104
Source:
FactSet.
(1)
As of July 14, 2014.
Includes 252k shares sold
by David Pyott
at $123.12
per share (not
10b5-1), for
total proceeds of $31mm
43%
premium
$76mm
$12mm

$27mm
$53mm
$56mm
$65mm
$21mm
$15mm
$76mm
$12mm
$223 Fair Value
84%
premium
Allergan Insiders have Sold a Significant Number of
Shares at Prices Much Lower than the Current Offer
Allergan Insider Annual Open Market Sales
1,054K Shares
338K Shares
622K Shares
156K Shares
623K Shares
176K Shares
628K Shares
689K Shares
192K Shares
108K Shares
$72
$83
$92
$103
$121
2010
2011
2012
2013
Q1 2014
Non-10b5
-1 Shares Sold (000's)
10b5
-1 Shares Sold (000's)
Weighted Average Sale Price

$138.0
$49.7
$75.8
$81.3
$192.9
$62.8
$70.8
$19.8
$298.1
$70.5
$170.0
$27.1
$87.2
$90.1
$31.6
$40.6
105

Source:
FactSet, 2013
Q1 2014.
Note:
Market cap based on basic shares outstanding.
(1)
Market
cap
as
of
July
14,
2014.
FRX
shown
as
of
closing
price
of
$99.00
on
June
30,
2014,
the
final
day
of
trading
prior
to
the
acquisition
by
Actavis
Plc.
23.4x
549,600 shares
WAP: $115.29 per share
Peer Median
Market Cap
($Bn)
(1)
VRX management
exhibiting confidence in
business model
Allergan executives clearly had a far less bullish view of their
stock prior to the Valeant offer
$234mm

Allergan CEO/CFO Sales Compared to Peers
Since January 2013
$63mm
$50mm
$19mm
$16mm
$12mm
$8mm
$5mm
$3mm
$2mm
$2mm
$1mm
$0mm
$0mm
$0mm
$0mm
GILD
AGN
BIIB
BMY
PFE
ABT
CELG
STJ
JNJ
LLY
MRK
FRX
ABBV
AMGN
SYK
VRX

Allergan s Revised Long-Term Financial Plan

On May 12th, in reaction to Valeant s April 22nd bid, Allergan management announced a new revised long-term plan

106

We question the credibility and value creation potential of this long-term plan

Higher Guidance Appears Driven by the Valeant Bid,
not a Fundamental Change in the Business
107
And [on] many occasions, I've talked about our midterm growth aspirations being around about 10% sales growth
David Pyott, Allergan Chairman and CEO; Q2 2013 Earnings Call, July 31, 2013:
Beyond 2015, we believe we'll grow revenue at the double digits
David Pyott, Allergan Chairman and CEO; May 12, 2014 Special Call (After Valeant s Proposal):
Management Revenue Guidance has not Materially Changed
Source:
Bloomberg Consensus.
Note:
Prior
to
new

plan
estimates
from
May
9 ,
2014
for
2014E-2015E
and
May
8 ,
2014
for
2016E-2017E.
Current
estimates
as
of
July
14 ,
2014.
$7.0Bn
$7.6Bn
$8.1Bn
$8.8Bn
$7.0Bn
$7.6Bn
$8.3Bn
$9.2Bn
0.5%
1.1%
2.5%
4.7%
2014E
2015E
2016E
2017E
Prior to New Plan
Current
th
th
th
Allergan Consensus Revenue Estimates, Before and After Revised Plan ($Bn, 2014E 2017E)

108

Going back to SG&A leverage, we've always stated that our target in the midterm is the mid-30s, so I d reiterate that.

David Pyott, Allergan Chairman and CEO; Q4 2013 Earnings Call, February 5, 2014:

Now we're really cranking this in terms of [SG&A] leverage. And by the end of this period, it will get to the mid- to the

high-20s.
David Pyott, Allergan Chairman and CEO; May 12, 2014 Special Call (After Valeant s Proposal):
Source of Improved SG&A Ratio Unclear Given Modest Increase in Revenue Growth
And No Announced Major Cost Cuts
Higher Guidance Appears Driven by the Valeant Bid,
not a Fundamental Change in the Business (Cont.)

Regarding the full year 2014, Allergan estimates growth of between 12% and 15%, which is consistent with our aspiration of mid-teens EPS growth.

Jeff Edwards, Allergan CFO; Q4 2013 Earnings Call, February 5, 2014:

[we believe] we can achieve EPS growth of 20% on a compound annual basis over the next five years.

David Pyott, Allergan Chairman and CEO; May 12, 2014 Special Call (After Valeant s Proposal):

What, besides the Valeant proposal, changed in the three months between Allergan s

February
5
,
2014
Q4
earnings
conference
call
and
the
May
12
Special
Call?
109
If Allergan were being conservative about the fundamentals of the business before the Valeant proposal, why then were insiders, including Pyott, selling shares in Q1 2014?
Higher Guidance Appears Driven by the Valeant Bid,
not a Fundamental Change in the Business (Cont.)
th
th

Why is this the goal now ?
How does raising guidance increase shareholder value?
Our goal now is to give them most of what they want We will raise earnings guidance further.
David Pyott, Allergan Chairman and CEO; June 23rd, 2014 - Pyott as quoted by Reuters at the BIO International Convention; emphasis added

110

Higher Guidance Appears Driven by the Valeant Bid,
not a Fundamental Change in the Business (Cont.)

Certain analysts have increased their near-term price targets by up to 67% based on a 24%

increase
in
EPS
five
years
from
now
111
Management s increased guidance from a 15% EPS CAGR to a
20% EPS CAGR implies a 24% increase in 2019 EPS
+44%
+57%
+67%
+44%
+47%
Source:
Allergan June 10, 2014 investor presentation.
(1)
Represents midpoint of price target range.
The Revised Plan Does Not Support Certain
Standalone Analyst Price Target Increases
(1)
(1)
$140
$115
$124
$135
$124
$202
$180
$207
$195
$183
$0
$50
$100
$150
$200
$250
BMO
BTIG
Buckingham
Guggenheim
Leerink Swann
Old Price Target
New Price Target

112

Other Analysts Question Management s Views on the Standalone Value of Allergan

Allergan asserts that its current 26.8x P/E multiple is Due to Accelerated EPS Outlook from Mid-teens to Revised Guidance of 20% Five-Year EPS CAGR, essentially saying that there is no take-out premium in AGN stock related to the VRX offer. Given the stock s reaction following Valeant s offers, we believe most investors would disagree.

Alex Arfaei, BMO; Will Likely Go the Distance With AGN; But Should Gain More Support , June 10, 2014:

113

Thoughts on Allergan s Valuation Multiple

Some analysts have taken Allergan s revised guidance and applied AGN s historical average P/E multiple of 22x (1) to arrive at a target price. We believe this analysis is materially flawed

We believe AGN s historic multiple priced in several opportunities that will disappear under the revised guidance:

Opportunity for substantial SG&A and

R&D
savings,
starting
from
SG&A
ratio
that
is
over
1,200
bps
higher
than
the
peer
average
(2)
,
which are already captured in AGN s revised guidance
Potential
to
reduce
AGN s
relatively
high
tax
rate,
which
disappears without a tax inversion or sale to a foreign company
Premium
for
potential
take-out,
which
decreases
substantially
under a go-it-alone
approach, since few acquirers are willing to
engage in hostile transactions
(1)
Ten-year historical average twelve-month forward P/E multiple as per Bloomberg.
(2)
See page 79 for comparison of Allergan s SG&A as a % of sales to peer companies.

114
Allergan s history of poor cost management and poorly designed management incentives should make investors question the credibility of the revised or any re-revised long-term plan

115

The Expected, Re-Revised Allergan Operating Plan

Allergan s management has indicated they will re-revise their long-term guidance at the time of their Q2 earnings announcement

The re-revised plan is reactive both to the Valeant proposal and to shareholder s disappointment with the initial revised plan presented in May

The new plan is not credible given management s previous statements and actions in addressing the considerable cost opportunity at Allergan

Any new plan further validates Valeant s assertion that Allergan has significant waste in its SG&A and R&D spending

Allergan s history of poor cost management indicate a lack of appropriate management oversight by the Allergan board

116
We
listened
carefully
to
investors
perspectives
and
heard
that
they
would like to see us harnessing this financial strength to create even more stockholder value by, among other suggestions, either purchasing growth-oriented companies or technologies that fit our strategy and operating model, and/or buying back Allergan stock.

As you know, historically we produced strong free cash flow as well and we've managed to deploy a lion s share of that free cash flow. The number one priority is always business development, so M&A. By all means we will continue looking aggressively for opportunities across the therapeutic areas we presently do business, but also looking for adjacencies or other specialty areas that could provide significant value.

David Pyott, Allergan CEO, 8-K filed May 19, 2014:

Jeff Edwards, Allergan CFO, Conference call, May 12, 2014:

Management is Considering Making Acquisitions of its Own to Thwart an Attractive Bid

117

Why is Now the Right Time to Make a Large Acquisition?

We are extremely skeptical that Allergan shareholders would be better off paying a premium for another company than receiving a 50%+ premium in a highly strategic merger

Given Allergan s poor M&A history, we expect shareholders will discount the value-creation potential of any acquisition

Unlike Valeant, Allergan has no experience integrating a large acquisition

Shareholders will likely be especially leery of acquisitions of pipeline assets, which are speculative in nature and have been particularly value-destructive for Allergan in the past

Any
value-creating
acquisitions
would
have
most
likely
been

available for years before the Valeant bid

118
Source:
Reuters.
Pyott has met with investors to talk about the company s defense,
which
he
said
could
include
issuing
new
debt
to
buy
back
shares.
He
said Allergan could borrow up to $10 billion without affecting its
investment-grade rating, but he did not say how much the company
might spend on the buybacks.
Caroline Humer and Deena Beasly of Reuters, July 1, 2014:
Management is Also Considering a Leveraged
Buyback

119

Allergan has indicated that the company is contemplating a leveraged buyback of up to $10 billion, compared to a total buyback of $2.4 billion from 2011 to Q1 2014

Allergan s stock is currently trading at 29x 2014E earnings per share, vs. 18x for its peers

(2)

Represents 24% premium over 12-month median price target of

$135 per share before initial Valeant bid
82% premium over the three-year average price of $92 per
share
A leveraged buyback of this scale will likely have to be
conducted at a material premium to AGN s current price
A Large Buyback at the Currently Elevated Share
Price would be Value-Destructive
Source:
Interview with David Pyott (Reuters, July 1), Company filings and FactSet.
(1)
Represents Allergan s maximum borrowing capacity while retaining investment-grade rating.
(2)
As of July 14, 2014. Peers from Allergan s 2014 proxy (excluding Forest Laboratories).
(1)

120
Source: Company filings and Factset.
Allergan Share Buyback
Too Little, Too Late
Why didn t Allergan buy back stock at $80-90 per share last year?
2011
2012
2013
2014
Q1
Q2
Q3
Q4
Q1
Q2

Q3
Q4
Q1
Q2
Q3
Q4
Q1
3 year average price: $91.80
July 14 closing
price: $167.02
Amount repurchased
Stock price
82%
premium
$0.00
$20.00
$40.00
$60.00
$80.00
$100.00
$120.00
$140.00
$160.00
$180.00
$200.00
$0
$100
$200
$300
$400
$500
$600
$700
$800
$900
$1,000
$163
$136
$75
$88
$217
$332
$174
$185
$648
$0.7
$0.2
$1.4
$398
th

121

Pyott said other drugmakers at the San Diego convention

understand that if we were to succumb to this, then somebody even bigger is next on the menu, or at least a lot of them will be afternoon snacks.

Is David Pyott more concerned about protecting shareholder interests or preserving the privileges of fellow entrenched pharmaceutical managements?

Deena Beasley of Reuters paraphrasing David Pyott at the BIO International Convention, June 23, 2014:

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Q&A

We encourage shareholders considering supporting the Pershing Square special meeting consent solicitation to contact D.F. King, our proxy solicitor, with any questions about the process:

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