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Valeant Pharmaceuticals Reports 2013 First Quarter Financial Results

May 02, 2013

LAVAL, Quebec, May 2, 2013 /PRNewswire/ --

- **2013 First Quarter Total Revenue $1.068 billion; an increase of 25% over the prior year**
- **2013 First Quarter Product Sales $1.039 billion; an increase of 38% over the prior year**
  - **Organic growth (same store sales) was 6%, excluding the impact from generics, primarily BenzaClin and Cesamet**
  - **Pro forma organic growth was 4%, excluding the impact from generics, primarily BenzaClin and Cesamet**
- **2013 First Quarter GAAP EPS Loss of $0.09; Cash EPS $1.30, an increase of 43% over the prior year, excluding one-time items in 2012 first quarter**
- **2013 First Quarter GAAP Operating Cash Flow $255 million; Adjusted Operating Cash Flow $345 million; an increase of 35% over the prior year, excluding one-time items in 2012 first quarter**
- **2013 Guidance for Cash EPS raised to $5.55 to $5.85 despite entry of Zovirax generic ointment**

Valeant Pharmaceuticals International, Inc. (NYSE: VRX) (TSX: VRX) announces first quarter financial results for 2013.

"Despite a slow January due to the integration of the Valeant and Medicis sales organizations, we delivered another solid quarter of strong growth in Cash EPS and adjusted cash flow to our shareholders," stated J. Michael Pearson, chairman and chief executive officer. "We were particularly pleased with the strong organic growth of our emerging market segment, which was primarily driven by Poland, Russia, Brazil, South East Asia, and South Africa, as well as the continued growth in many of our promoted brands."

Revenue

Valeant's total revenues were $1.068 billion, up 25% compared to the first quarter of 2012, and product revenues were $1.039 billion, up 38% versus the year-ago quarter.

Valeant's U.S. Promoted product sales increased 91% to $479 million led by strong growth in key brands such as Acanya, CeraVe, Arestin, Dysport, Restylane, Perlane and AcneFree. On a same store sales organic growth basis, U.S. Promoted business increased 6% despite increased generic competition in BenzaClin. Excluding the impact on BenzaClin sales, same store sales organic growth for this portfolio would have been 12% for the first quarter of 2013. Pro forma organic growth was flat as compared to the prior year due to the harmonization of wholesaler contracts between Valeant and Medicis. The wholesaler inventory levels of the Medicis dermatology portfolio were reduced from more than two months to approximately one month. Excluding this impact, pro forma organic growth was 7% in the first quarter of 2013.

Our U.S. Neurology and Other business delivered an EBITA contribution that was flat as compared to the prior year based on the stabilization of Wellbutrin XL and growth in several orphan drug products. This improvement was achieved in spite of a decrease in overall sales primarily from a reduction in partnered generic products which are low margin (e.g. diltiazem CD, nifedipine) and the slow launch of fenofibrate. We expect the top line growth in this division to be flat to slightly up for the full year 2013 and growth in EBITA versus 2012.

Our Canadian business reported strong growth in key brands for the quarter, including COLD-FX, CeraVe and our dermatology franchise, which was offset by the continued decline in Cesamet, while our Australian operations continued to perform well.

Finally, our Emerging Markets segment performed extremely well in the first quarter and product sales increased 26% driven by outstanding growth in Poland, Russia, Brazil, South East Asia and South Africa.

Financial Performance

The Company reported a net loss of $28 million for the first quarter of 2013, or a loss of $0.09 per diluted share. On a Cash EPS basis, adjusted income was $405 million, or $1.30 per diluted share. Excluding gains on the divestiture of two dermatology products and a foreign exchange gain related to the acquisition of iNova in the first quarter of 2012, Cash EPS increased 43% over the year-ago quarter.

GAAP cash flow from operations was $255 million in the first quarter of 2013, and adjusted cash flow from operations was $345 million.

The Company's cost of goods sold (COGS) was $285 million in the first quarter of 2013. After backing out the fair value adjustment to inventory, amortization expense and other items related to acquisitions, COGS represented 22% of product sales, a decrease of three percentage points as compared to the first quarter of 2012 due to a favorable product mix, global plant consolidations and other initiatives.

Selling, General and Administrative expenses were $242 million in the first quarter of 2013, or approximately 23% of revenue, which was an increase of 4% over the prior year. SG&A was unusually high this quarter due to the integration of Medicis, and we expect this ratio to return to historical levels for the remainder of 2013. Research and Development expenses were $24 million in the first quarter of 2013, or approximately 2% of revenue.

2013 Guidance

The Company is updating its previous Cash EPS guidance and is now targeting Cash EPS of $5.55 to $5.85 in 2013, despite a recent entry of Zovirax generic ointment, up from prior guidance of $5.45 to $5.75. Total revenue in the range of $4.4 to $4.8 billion and adjusted cash flow from operations of $1.5 to $1.75 billion is reaffirmed.

Conference Call and Webcast Information

The Company will host a conference call and a live Internet webcast along with a slide presentation today at 7:30 a.m. ET (4:30 a.m. PT), May 2, 2013 to discuss its first quarter financial results for 2013. The dial-in number to participate on this call is (877) 876-8393 confirmation code 41820189. International callers should dial (973) 200-3961, confirmation code 41820189. A replay will be available approximately two hours following the conclusion of the conference call through May 9, 2013 and can be accessed by dialing (855) 859-2056, or (404) 537-3406, confirmation code 41820189. The live webcast of the conference call may be accessed through the investor relations section of the Company's corporate website at

www.valeant.com
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About Valeant

Valeant Pharmaceuticals International, Inc. (NYSE/TSX:VRX) is a multinational specialty pharmaceutical company that develops, manufactures and markets a broad range of pharmaceutical products primarily in the areas of dermatology, neurology and branded generics. More information about Valeant can be found at
www.valeant.com
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Forward-looking Statements

This press release may contain forward-looking statements, including, but not limited to, statements regarding our expected performance for 2013, including 2013 guidance with respect to Cash EPS, total revenue and adjusted cash flow from operations, and COGS for 2013. Forward-looking statements may generally be identified by the use of the words "anticipates," "expects," "intends," "plans," "should," "could," "would," "may," "will," "believes," "estimates," "potential," "target", or "continue" and variations or similar expressions. These statements are based upon the current expectations and beliefs of management and are subject to certain risks and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. These risks and uncertainties include, but are not limited to, risks and uncertainties discussed in the Company's most recent annual or quarterly report and detailed from time to time in Valeant's other filings with the Securities and Exchange Commission and the Canadian Securities Administrators, which factors are incorporated herein by reference. Readers are cautioned not to place undue reliance on any of these forward-looking statements. These forward-looking statements speak only as of the date hereof. Valeant undertakes no obligation to update any of these forward-looking statements to reflect events or circumstances after the date of this press release or to reflect actual outcomes.

Non-GAAP Information

To supplement the financial measures prepared in accordance with generally accepted accounting principles (GAAP), the company uses non-GAAP financial measures that exclude certain items, such as amortization of inventory step-up, amortization of alliance product assets & pp&e step up, stock-based compensation step-up, contingent consideration fair value adjustments, restructuring, acquisition-related and other costs, acquired in-process research and development ("IPR&D"), legal settlements outside the ordinary course of business, the impact of currency fluctuations, amortization and other non-cash charges, amortization of deferred financing costs, debt discounts and ASC 470-20 (FSP APB 14-1) interest, loss on extinguishment of debt, (gain) loss on assets held for sale/impairment, net, (gain) loss on investments, net, and adjusts tax expense to cash taxes. Management uses non-GAAP financial measures internally for strategic decision making, forecasting future results and evaluating current performance. By disclosing non-GAAP financial measures, management intends to provide investors with a meaningful, consistent comparison of the company's core operating results and trends for the periods presented. Non-GAAP financial measures are not prepared in accordance with GAAP. Therefore, the information is not necessarily comparable to other companies and should be considered as a supplement to, not a substitute for, or superior to, the corresponding measures calculated in accordance with GAAP.

Financial Tables follow.

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Valeant Pharmaceuticals International, Inc. **Table 1**

Condensed Consolidated Statements of Income (Loss)

For the Three Months Ended March 31, 2013 and 2012

	Three Months Ended March 31,	
(In thousands, except per share data)	**2013**	**2012**
Product sales	$ 1,038,867	$ 750,880
Alliance and royalty	9,258	79,231
Service and other	20,230	25,992
Total revenues	1,068,355	856,103

Cost of goods sold (exclusive of amortization of intangible assets shown separately below)	284,904	224,196
Cost of services	14,951	18,820
Cost of alliances	478	68,820
Selling, general and administrative ("SG&A")	241,899	177,286
Research and development	23,795	