

ALLERGAN INC
Form 10-Q
November 07, 2008
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2008

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 1-10269

Allergan, Inc.

(Exact Name of Registrant as Specified in its Charter)

Edgar Filing: ALLERGAN INC - Form 10-Q

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

2525 Dupont Drive
Irvine, California
(Address of Principal Executive Offices)

95-1622442
(I.R.S. Employer Identification No.)

92612
(Zip Code)

(714) 246-4500
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of October 31, 2008, there were 307,511,888 shares of common stock outstanding (including 3,604,550 shares held in treasury).

Table of Contents

ALLERGAN, INC.

FORM 10-Q FOR THE QUARTER ENDED SEPTEMBER 30, 2008

INDEX

	Page
<u>PART I FINANCIAL INFORMATION</u>	
<u>ITEM 1 FINANCIAL STATEMENTS</u>	
(A) <u>Unaudited Condensed Consolidated Statements of Earnings</u> <u>Three and Nine Months Ended September 30, 2008 and September 28, 2007</u>	3
(B) <u>Unaudited Condensed Consolidated Balance Sheets</u> <u>September 30, 2008 and December 31, 2007</u>	4
(C) <u>Unaudited Condensed Consolidated Statements of Cash Flows</u> <u>Nine Months Ended September 30, 2008 and September 28, 2007</u>	5
(D) <u>Notes to Unaudited Condensed Consolidated Financial Statements</u>	6
<u>ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION</u>	
<u>AND RESULTS OF OPERATIONS</u>	26
<u>ITEM 3 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	46
<u>ITEM 4 CONTROLS AND PROCEDURES</u>	50
<u>PART II OTHER INFORMATION</u>	
<u>ITEM 1 LEGAL PROCEEDINGS</u>	51
<u>ITEM 1A RISK FACTORS</u>	51
<u>ITEM 2 UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	51
<u>ITEM 3 DEFAULTS UPON SENIOR SECURITIES</u>	51
<u>ITEM 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS</u>	51
<u>ITEM 5 OTHER INFORMATION</u>	51
<u>ITEM 6 EXHIBITS</u>	52
<u>SIGNATURE</u>	59

Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements****ALLERGAN, INC.****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS**

(in millions, except per share amounts)

	Three months ended		Nine months ended	
	September 30, 2008	September 28, 2007	September 30, 2008	September 28, 2007
Revenues:				
Product net sales	\$ 1,081.9	\$ 978.7	\$ 3,298.7	\$ 2,803.9
Other revenues	16.3	15.0	48.1	44.4
Total revenues	1,098.2	993.7	3,346.8	2,848.3
Operating costs and expenses:				
Cost of sales (excludes amortization of acquired intangible assets)	194.7	173.5	574.4	493.4
Selling, general and administrative	440.4	395.6	1,429.5	1,215.1
Research and development	186.6	164.4	582.9	528.4
Amortization of acquired intangible assets	39.3	28.7	110.0	86.1
Restructuring charges (reversal)	(0.2)	11.0	37.6	24.3
Operating income	237.4	220.5	612.4	501.0
Non-operating income (expense):				
Interest income	6.5	18.4	28.0	48.6
Interest expense	(14.5)	(17.5)	(44.7)	(53.5)
Unrealized gain (loss) on derivative instruments, net	7.9	0.4	4.4	(1.3)
Other, net	2.0	(10.5)	(9.1)	(15.9)
	1.9	(9.2)	(21.4)	(22.1)
Earnings from continuing operations before income taxes and minority interest	239.3	211.3	591.0	478.9
Provision for income taxes	69.4	55.3	161.8	138.7
Minority interest expense	0.6		1.2	0.4
Earnings from continuing operations	169.3	156.0	428.0	339.8
Discontinued operations				
Earnings (loss) from discontinued operations, net of applicable income tax expense (benefit) of \$0.8 million and \$(0.4) million for the three and nine month periods ended September 28, 2007, respectively		1.4		(0.8)
Gain on sale of discontinued operations, net of applicable income tax expense of \$0.9 million for the three and nine month periods ended September 28, 2007				
Discontinued operations		1.4		(0.8)
Net earnings	\$ 169.3	\$ 157.4	\$ 428.0	\$ 339.0

Edgar Filing: ALLERGAN INC - Form 10-Q

Basic earnings per share:				
Continuing operations	\$ 0.56	\$ 0.51	\$ 1.41	\$ 1.11
Discontinued operations				
Net basic earnings per share	\$ 0.56	\$ 0.51	\$ 1.41	\$ 1.11
Diluted earnings per share:				
Continuing operations	\$ 0.55	\$ 0.50	\$ 1.39	\$ 1.10
Discontinued operations		0.01		
Net diluted earnings per share	\$ 0.55	\$ 0.51	\$ 1.39	\$ 1.10

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents**ALLERGAN, INC.****UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS**

(in millions, except share data)

	September 30, 2008	December 31, 2007
ASSETS		
Current assets:		
Cash and equivalents	\$ 1,013.3	\$ 1,157.9
Trade receivables, net	584.2	463.1
Inventories	269.5	224.7
Other current assets	266.1	278.5
Total current assets	2,133.1	2,124.2
Investments and other assets	267.5	249.9
Property, plant and equipment, net	738.0	686.4
Goodwill	1,995.0	2,082.1
Intangibles, net	1,532.1	1,436.7
Total assets	\$ 6,665.7	\$ 6,579.3
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Notes payable	\$ 3.6	\$ 39.7
Accounts payable	163.5	208.7
Accrued compensation	142.7	155.3
Other accrued expenses	364.3	295.7
Income taxes	3.5	16.3
Total current liabilities	677.6	715.7
Long-term debt	845.1	840.2
Long-term convertible notes	750.0	750.0
Deferred tax liabilities	76.3	220.6
Other liabilities	320.1	312.7
Commitments and contingencies		
Minority interest	2.4	1.5
Stockholders' equity:		
Preferred stock, \$.01 par value; authorized 5,000,000 shares; none issued		
Common stock, \$.01 par value; authorized 500,000,000 shares; issued 307,512,000 shares as of September 30, 2008 and December 31, 2007	3.1	3.1
Additional paid-in capital	2,498.7	2,450.4
Accumulated other comprehensive loss	(53.5)	(34.8)
Retained earnings	1,756.4	1,423.5
	4,204.7	3,842.2
Less treasury stock, at cost (3,693,000 shares as of September 30, 2008 and 1,605,000 shares as of December 31, 2007)	(210.5)	(103.6)
Total stockholders' equity	3,994.2	3,738.6
Total liabilities and stockholders' equity	\$ 6,665.7	\$ 6,579.3

Edgar Filing: ALLERGAN INC - Form 10-Q

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents**ALLERGAN, INC.****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(in millions)**

	Nine months ended	
	September 30, 2008	September 28, 2007
<i>Cash flows provided by operating activities:</i>		
Net earnings	\$ 428.0	\$ 339.0
Non-cash items included in net earnings:		
In-process research and development charge		72.0
Depreciation and amortization	195.2	155.3
Settlement of a pre-existing distribution agreement in a business combination		2.3
Amortization of original issue discount and debt issuance costs	3.0	3.5
Amortization of net realized gain on interest rate swap	(1.0)	(0.6)
Deferred income tax benefit	(52.2)	(30.3)
Loss on disposal of fixed assets	0.6	4.2
Unrealized (gain) loss on derivative instruments	(4.4)	1.3
Expense of share-based compensation plans	69.6	60.2
Minority interest expense	1.2	0.4
Restructuring charges	37.6	24.3
Changes in assets and liabilities:		
Trade receivables	(144.7)	(69.3)
Inventories	(44.2)	(14.6)
Other current assets	10.1	(8.3)
Other non-current assets	(0.8)	(11.5)
Accounts payable	(46.4)	33.9
Accrued expenses	46.5	12.7
Income taxes	(15.0)	(26.3)
Other liabilities	(2.1)	26.5
Net cash provided by operating activities	481.0	574.7