

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

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to § 240.14a-12

**Allergan, Inc.**

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

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

**PS Management GP, LLC**

**William A. Ackman**

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

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

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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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This communication does not constitute an offer to buy or solicitation of an offer to sell any securities. This communication relates to a solicitation of written requests to call a special meeting of shareholders of Valeant Pharmaceuticals International, Inc. (Valeant) made for a business combination transaction with Allergan. In furtherance of this proposal and subject to future developments, Pershing Square has filed a definitive solicitation statement with the Securities and Exchange Commission (the SEC) on July 11, 2014 (the solicitation statement), Valeant has filed a registration statement on Form S-4 (the Form S-4) and a tender offer statement on Schedule TO (including the offer to exchange securities, proxy election and transmittal and other related offer materials) with the SEC on June 18, 2014 (together with the Form S-4, the Schedule TO and preliminary proxy statement on June 24, 2014 with respect to a meeting of Valeant shareholders. Pershing Square and Valeant are currently negotiating a transaction (the proposed transaction) which, if agreed, Allergan) may file one or more solicitation statements, registration statements, proxy statements, tender or exchange offer documents or other documents with the SEC. This communication is not a substitute for the solicitation statement, registration statement, Form S-4, Schedule TO, or any other solicitation statement, proxy statement, registration statement, prospectus, tender or exchange offer document filed with the SEC. Pershing Square, Valeant and/or Allergan may file with the SEC in connection with the proposed transaction. INVESTORS AND SHAREHOLDERS OF VALEANT AND ALLERGAN ARE URGED TO READ THE SOLICITATION STATEMENT, PROXY STATEMENT, REGISTRATION STATEMENT, PROSPECTUS, TENDER OR EXCHANGE OFFER DOCUMENTS AND OTHER DOCUMENTS FILED WITH THE SEC CAREFULLY IN THEIR ENTIRETY IF AND WHEN THEY BECOME AVAILABLE AS THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED TRANSACTION. The solicitation statement is currently being mailed to stockholders of Valeant, a definitive solicitation statement or proxy statement(s) or definitive tender or exchange offer documents (if and when available) to stockholders of Allergan and/or Valeant, as applicable. Investors and security holders will be able to obtain free copies of the solicitation statement and the Schedule TO and will be able to obtain free copies of these other documents filed with the SEC by Pershing Square and 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 Square who are deemed participants in any solicitation of Allergan or Valeant shareholders in respect of a Valeant proposal for a business combination transaction with 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 includes certain non-GAAP financial measures, including but not limited to cash net income and EBITDA (collectively, "non-GAAP financial measures"). These non-GAAP financial measures should be considered only as supplemental to, and not as substitutes for, GAAP financial measures prepared in accordance with GAAP. Pershing Square believes that the presentation of these financial measures enhances the understanding of Valeant's and Allergan's financial performance. Pershing Square further believes that these financial measures provide useful financial metrics to assess operating performance from period to period by excluding certain items that it believes are not representative of Valeant's and Allergan's respective core businesses. Pershing Square also believes that these financial measures provide investors with a useful tool for assessing the comparability between periods of Valeant's and Allergan's respective abilities to generate cash from operations, to pay taxes, to service debt and to undertake capital expenditures. Pershing Square believes these financial measures are commonly used by investors to evaluate companies' performance. However, the use of these non-GAAP financial measures in this presentation may not be consistent with other companies in Valeant's and Allergan's industry. These non-GAAP financial measures should not be considered as alternative 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, statements regarding Valeant's financing of the proposed transaction, Valeant's or Allergan's expected future value and performance (including operations and financial guidance), and the combined company's future financial condition, operation results, strategy and plans. Forward-looking statements will be identified by the use of the words anticipates, expects, intends, plans, should, could, would, may, will, opportunity, tentative, positioning, designed, create, predict, project, seek, ongoing, upside, increase, and other similar expressions and include but are not limited to beliefs expressed regarding future performance. These statements are based upon the current beliefs of Pershing Square and are subject to numerous assumptions, risks and uncertainties that change over time and could cause actual results to differ materially from those described in the forward-looking statements. These assumptions, risks and uncertainties include, but are not limited to, the assumptions and uncertainties discussed in Valeant's and/or Allergan's most recent annual or quarterly reports filed with the SEC and the Exchange Act (the "CSA") and assumptions, risks and uncertainties relating to the proposed merger, as detailed from time to time in Valeant's and Allergan's public filings. Important factors that could cause actual results to differ materially from the forward-looking statements we make in this presentation include, but are not limited to: the ultimate outcome of any possible transaction between Valeant and Allergan, including the possibilities that Valeant will not complete a transaction with Allergan and that Allergan will reject a transaction with Valeant; if a transaction between Valeant and Allergan were to occur, the ultimate outcome and results of integrating the operations of Valeant and Allergan; the 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 and performance; the effects of governmental regulation on Valeant's and Allergan's business or potential business combination transaction; the ability to obtain regulatory approvals and meet other closing conditions to the transaction, including all necessary stockholder approvals; Valeant's and Allergan's ability to sustain and grow revenues and cash flow from operations in their respective markets and to maintain their respective customer bases, the need for innovation and the related capital expenditures and the unpredictable economic conditions in the United States; the impact of competition from other market participants; the development and commercialization of new products; the availability and access, in general, of funds to meet Valeant's and Allergan's debt obligations prior to or when they become due and necessary capital expenditures, either through (i) cash on hand, (ii) free cash flow, or (iii) access to the capital or credit markets; Valeant's and Allergan's ability to comply with all covenants in their respective indentures and credit facilities any violation of which could trigger a default of their respective other obligations under cross-default provisions; and the risks and uncertainties detailed by Valeant and Allergan with respect to their respective businesses as described in their respective public filings 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 the above. We are cautioned not to place undue reliance on any of these forward-looking statements. These forward-looking statements speak only for Pershing Square or any of its affiliates or associates, or any of their respective directors, officers, employees, agents, shareholders or partners. We have no obligation to update any of these forward-looking statements to reflect events or circumstances after the date of this presentation.

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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

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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

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

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Allergan's Record of Poor Corporate  
Governance

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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

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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.

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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.

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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

12

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

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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

17

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



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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 Form 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)

27

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



28

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](mailto: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 accumulation of Allergan stock, and as of 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

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

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

and

the

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 DARP in 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, Celgene, Gilead Sciences, Johnson & Johnson, St. Jude Medical, Stryker Corporation, and Valeant Pharmaceuticals). Excludes Forest Laboratories 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)

+ DARP in 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)

+ DARP in 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 30<sup>th</sup>, 2014, other shareholders were offered an exchange ratio of 1.38 VRX shares per one AGN share. The offer was made 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



V. Risks in Allergan's Business Model

59

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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 DARPins

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  
XXXXXXXXXX

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 dermatology. 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, 2014



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 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

12

th

,

in

reaction

to

Valeant's

April

22

nd

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  
23  
rd

,  
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



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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 Beasley 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 Allergan'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:

Ed McCarthy

D.F. King

(212) 269-5550

[emccarthy@dfking.com](mailto:emccarthy@dfking.com)