

ALLERGAN INC  
Form 10-Q  
August 06, 2012

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 10-Q

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(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the Quarterly Period Ended June 30, 2012

or

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

Commission File Number 1-10269  
Allergan, Inc.  
(Exact Name of Registrant as Specified in its Charter)

Delaware 95-1622442  
(State or Other Jurisdiction of Incorporation or Organization) (I.R.S. Employer Identification No.)

2525 Dupont Drive 92612  
Irvine, California (Zip Code)  
(Address of Principal Executive Offices)  
(714) 246-4500  
(Registrant's Telephone Number, Including Area Code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

Large accelerated filer  Accelerated filer   
Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
Yes  No

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As of August 1, 2012, there were 307,534,860 shares of common stock outstanding (including 6,566,875 shares held in treasury).

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## PART I — FINANCIAL INFORMATION

## Item 1. Financial Statements

## ALLERGAN, INC.

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

(in millions, except per share amounts)

	Three Months Ended		Six Months Ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Revenues:				
Product net sales	\$1,467.4	\$1,400.4	\$2,833.1	\$2,653.2
Other revenues	24.0	16.8	50.2	35.2
Total revenues	1,491.4	1,417.2	2,883.3	2,688.4
Operating costs and expenses:				
Cost of sales (excludes amortization of acquired intangible assets)	201.7	195.3	397.5	378.6
Selling, general and administrative	584.6	566.7	1,169.7	1,156.2
Research and development	232.0	257.4	457.0	455.1
Amortization of acquired intangible assets	33.3	31.2	64.9	63.7
Impairment of intangible assets and related costs	—	3.3	—	19.4
Restructuring charges	0.9	0.1	0.9	4.7
Operating income	438.9	363.2	793.3	610.7
Non-operating income (expense):				
Interest income	1.7	1.5	2.9	3.8
Interest expense	(17.1)	(15.2)	(32.9)	(39.9)
Other, net	4.9	(5.5)	(10.1)	(15.4)
	(10.5)	(19.2)	(40.1)	(51.5)
Earnings before income taxes	428.4	344.0	753.2	559.2
Provision for income taxes	132.0	95.4	226.5	151.8
Net earnings	296.4	248.6	526.7	407.4
Net earnings attributable to noncontrolling interest	1.0	2.0	1.5	2.5
Net earnings attributable to Allergan, Inc.	\$295.4	\$246.6	\$525.2	\$404.9
Earnings per share attributable to Allergan, Inc. stockholders:				
Basic	\$0.98	\$0.81	\$1.73	\$1.33
Diluted	\$0.96	\$0.79	\$1.70	\$1.30

See accompanying notes to unaudited condensed consolidated financial statements.

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ALLERGAN, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
(in millions)

	Three Months Ended		Six Months Ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Net earnings	\$296.4	\$248.6	\$526.7	\$407.4
Other comprehensive income, net of tax:				
Foreign currency translation adjustments	(40.6 )	18.9	(17.0 )	50.3
Reclassification adjustment for foreign currency translation gains included in net earnings from the substantially complete liquidation of an investment in a foreign subsidiary	—	—	—	(9.4 )
Amortization of deferred holding gains on derivatives designated as cash flow hedges included in net earnings, net of tax benefit of \$0.2 million for the three months ended June 30, 2012 and 2011, respectively, and \$0.3 million for the six months ended June 30, 2012 and 2011, respectively	(0.2 )	(0.2 )	(0.4 )	(0.4 )
Net gain on remeasurement of postretirement benefit plan liability, net of tax expense of \$7.4 million for the three and six months ended June 30, 2011, respectively	—	13.1	—	13.1
Other comprehensive (loss) income	(40.8 )	31.8	(17.4 )	53.6
Total comprehensive income	255.6	280.4	509.3	461.0
Comprehensive income attributable to noncontrolling interest	0.3	2.4	1.3	3.5
Comprehensive income attributable to Allergan, Inc.	\$255.3	\$278.0	\$508.0	\$457.5

See accompanying notes to unaudited condensed consolidated financial statements.

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ALLERGAN, INC.

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS  
(in millions, except share data)

	June 30, 2012	December 31, 2011
<b>ASSETS</b>		
Current assets:		
Cash and equivalents	\$2,368.7	\$ 2,406.1
Short-term investments	304.8	179.9
Trade receivables, net	867.9	730.6
Inventories	259.7	249.7
Other current assets	458.5	482.0
Total current assets	4,259.6	4,048.3
Investments and other assets	240.4	247.1
Deferred tax assets	159.7	152.6
Property, plant and equipment, net	811.6	807.0
Goodwill	2,090.9	2,088.4
Intangibles, net	1,111.2	1,165.2
Total assets	\$8,673.4	\$ 8,508.6
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Notes payable	\$42.4	\$ 83.9
Accounts payable	200.6	200.4
Accrued compensation	162.0	200.6
Other accrued expenses	558.8	470.1
Total current liabilities	963.8	955.0
Long-term debt	1,514.9	1,515.4
Other liabilities	733.3	705.8
Commitments and contingencies		
Equity:		
Allergan, Inc. stockholders' equity:		
Preferred stock, \$.01 par value; authorized 5,000,000 shares; none issued	—	—
Common stock, \$.01 par value; authorized 500,000,000 shares; issued 307,534,860 shares as of June 30, 2012 and 307,527,460 shares as of December 31, 2011	3.1	3.1
Additional paid-in capital	2,824.2	2,761.8
Accumulated other comprehensive loss	(258.6	) (241.4
Retained earnings	3,387.6	2,969.3
	5,956.3	5,492.8
Less treasury stock, at cost (5,674,606 shares as of June 30, 2012 and 2,254,935 shares as of December 31, 2011)	(517.5	) (183.2
Total stockholders' equity	5,438.8	5,309.6
Noncontrolling interest	22.6	22.8
Total equity	5,461.4	5,332.4
Total liabilities and equity	\$8,673.4	\$ 8,508.6

See accompanying notes to unaudited condensed consolidated financial statements.





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ALLERGAN, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(in millions)

	Six Months Ended	
	June 30, 2012	June 30, 2011
Cash flows from operating activities:		
Net earnings	\$526.7	\$407.4
Non-cash items included in net earnings:		
Depreciation and amortization	126.9	125.9
Amortization of original issue discount and debt issuance costs	1.0	8.8
Amortization of net realized gain on interest rate swap	(0.7)	(0.7)
Deferred income tax benefit	(12.3)	(44.2)
Gain on disposal and impairment of assets	—	(2.1)
Unrealized loss on derivative instruments	8.1	4.8
Expense of share-based compensation plans	52.8	41.9
Impairment of intangible assets	—	16.1
Expense from changes in fair value of contingent consideration	13.4	2.3
Restructuring charges	0.9	4.7
Gain on investments, net	—	(0.9)
Changes in operating assets and liabilities:		
Trade receivables	(152.2)	(79.8)
Inventories	(10.0)	(5.2)
Other current assets	1.0	(12.5)
Other non-current assets	(3.4)	(6.5)
Accounts payable	4.0	(29.0)
Accrued expenses		