

ALLERGAN INC
Form 10-Q
August 07, 2008
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2008

OR

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

Commission File Number 1-10269

Allergan, Inc.

(Exact Name of Registrant as Specified in its Charter)

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Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

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

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

92612
(Zip Code)

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

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

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

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

As of July 31, 2008, there were 307,511,888 shares of common stock outstanding (including 3,138,552 shares held in treasury).

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

(in millions, except per share amounts)

	Three months ended		Six months ended	
	June 30, 2008	June 29, 2007	June 30, 2008	June 29, 2007
Revenues:				
Product net sales	\$ 1,155.8	\$ 962.6	\$ 2,216.8	\$ 1,825.2
Other revenues	16.2	15.3	31.8	29.4
Total revenues	1,172.0	977.9	2,248.6	1,854.6
Operating costs and expenses:				
Cost of sales (excludes amortization of acquired intangible assets)	197.5	168.1	379.7	319.9
Selling, general and administrative	506.9	433.1	989.1	819.5
Research and development	213.4	154.0	396.3	364.0
Amortization of acquired intangible assets	35.8	29.0	70.7	57.4
Restructuring charges	9.4	10.1	37.8	13.3
Operating income	209.0	183.6	375.0	280.5
Non-operating income (expense):				
Interest income	10.3	14.8	21.5	30.2
Interest expense	(14.8)	(17.5)	(30.2)	(36.0)
Unrealized loss on derivative instruments, net	(0.2)	(0.4)	(3.5)	(1.7)
Other, net	(8.2)	(4.3)	(11.1)	(5.4)
Earnings from continuing operations before income taxes and minority interest	196.1	176.2	351.7	267.6
Provision for income taxes	48.4	36.7	92.4	83.4
Minority interest expense	0.4	0.5	0.6	0.4
Earnings from continuing operations	147.3	139.0	258.7	183.8
Loss from discontinued operations, net of applicable income tax benefit of \$0.7 million and \$1.2 million for the three and six month periods ended June 29, 2007, respectively		(1.2)		(2.2)
Net earnings	\$ 147.3	\$ 137.8	\$ 258.7	\$ 181.6
Basic earnings (loss) per share:				
Continuing operations	\$ 0.48	\$ 0.46	\$ 0.85	\$ 0.60
Discontinued operations		(0.01)		
Net basic earnings per share	\$ 0.48	\$ 0.45	\$ 0.85	\$ 0.60

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Diluted earnings (loss) per share:				
Continuing operations	\$	0.48	\$	0.45
Discontinued operations			\$	0.84
			\$	0.60
				(0.01)
Net diluted earnings per share	\$	0.48	\$	0.45
			\$	0.84
			\$	0.59

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents**ALLERGAN, INC.****UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS****(in millions, except share data)**

	June 30, 2008	December 31, 2007
ASSETS		
Current assets:		
Cash and equivalents	\$ 1,090.2	\$ 1,157.9
Trade receivables, net	621.6	463.1
Inventories	270.2	224.7
Other current assets	269.0	278.5
Total current assets	2,251.0	2,124.2
Investments and other assets	250.0	249.9
Property, plant and equipment, net	710.6	686.4
Goodwill	2,018.6	2,082.1
Intangibles, net	1,439.9	1,436.7
Total assets	\$ 6,670.1	\$ 6,579.3
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable	\$ 5.4	\$ 39.7
Accounts payable	208.8	208.7
Accrued compensation	135.1	155.3
Other accrued expenses	373.2	295.7
Income taxes		16.3
Total current liabilities	722.5	715.7
Long-term debt	839.6	840.2
Long-term convertible notes	750.0	750.0
Deferred tax liabilities	103.0	220.6
Other liabilities	319.3	312.7
Commitments and contingencies		
Minority interest	1.9	1.5
Stockholders' equity:		
Preferred stock, \$.01 par value; authorized 5,000,000 shares; none issued		
Common stock, \$.01 par value; authorized 500,000,000 shares; issued 307,512,000 shares as of June 30, 2008 and December 31, 2007	3.1	3.1
Additional paid-in capital	2,478.6	2,450.4
Accumulated other comprehensive income (loss)	2.6	(34.8)

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Retained earnings	1,613.7	1,423.5
	4,098.0	3,842.2
Less treasury stock, at cost (2,777,000 shares as of June 30, 2008 and 1,605,000 shares as of December 31, 2007, respectively)	(164.2)	(103.6)
Total stockholders' equity	3,933.8	3,738.6
Total liabilities and stockholders' equity	\$ 6,670.1	\$ 6,579.3

See accompanying notes to unaudited condensed consolidated financial statements.

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

	Six months ended	
	June 30, 2008	June 29, 2007
<i>Cash flows provided by operating activities:</i>		
Net earnings	\$ 258.7	\$ 181.6
Non-cash items included in net earnings:		
In-process research and development charge		72.0
Depreciation and amortization	128.7	102.5
Settlement of a pre-existing distribution agreement in a business combination		2.3
Amortization of original issue discount and debt issuance costs	2.1	2.3
Amortization of net realized gain on interest rate swap	(0.7)	(0.4)
Deferred income tax benefit	(41.4)	(27.3)
Loss on disposal of fixed assets	0.9	3.3
Unrealized loss on derivative instruments	3.5	1.7
Expense of share-based compensation plans	47.2	41.2
Minority interest expense	0.6	0.4
Restructuring charges	37.8	13.3
Changes in assets and liabilities:		
Trade receivables	(154.5)	(54.3)
Inventories	(36.9)	(9.9)
Other current assets	17.3	(9.1)
Other non-current assets	3.8	(8.2)
Accounts payable	(6.0)	40.0
Accrued expenses	12.3	1.1
Income taxes	(32.6)	(30.7)
Other liabilities	4.4	9.0
Net cash provided by operating activities	245.2	330.8
<i>Cash flows from investing activities:</i>		
Acquisitions, net of cash acquired	(0.1)	(313.0)
Additions to property, plant and equipment	(65.7)	(49.0)
Additions to capitalized software	(26.8)	(10.3)
Additions to intangible assets	(63.0)	(5.0)
Proceeds from sale of business and assets	6.0	
Proceeds from sale of property, plant and equipment	0.1	8.9