

Allergan plc  
Form 10-Q  
November 04, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended September 30, 2016

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number	Exact name of registrant as specified in its charter, principal office and address and telephone number	State of incorporation or organization	I.R.S. Employer Identification No.
001-36867	Allergan plc  Clonshaugh Business and Technology Park  Coolock, Dublin, D17 E400, Ireland  (862) 261-7000	Ireland	98-1114402

Edgar Filing: Allergan plc - Form 10-Q

001-36887

Warner Chilcott Limited

Bermuda

98-0496358

Cannon's Court 22  
 Victoria Street  
 Hamilton HM 12  
 Bermuda  
 (441) 295-2244

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:

Allergan plc	YES	NO
Warner Chilcott Limited	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).

Allergan plc	YES	NO
Warner Chilcott Limited	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. (Check one):

Allergan plc	<input type="checkbox"/> Large accelerated filer <input checked="" type="checkbox"/> Non-accelerated filer (Do not check if a smaller reporting company)	<input type="checkbox"/> Accelerated filer <input checked="" type="checkbox"/> Smaller reporting company
Warner Chilcott Limited	<input type="checkbox"/> Large accelerated filer <input checked="" type="checkbox"/> Non-accelerated filer (Do not check if a smaller reporting company)	<input type="checkbox"/> Accelerated filer <input checked="" type="checkbox"/> Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Allergan plc	YES	NO
Warner Chilcott Limited	YES	NO

Number of shares of Allergan plc's Ordinary Shares outstanding on October 26, 2016: 375,080,162. There is no trading market for securities of Warner Chilcott Limited, all of which are indirectly wholly owned by Allergan plc.

## Edgar Filing: Allergan plc - Form 10-Q

This Quarterly Report on Form 10-Q is a combined report being filed separately by two different registrants: Allergan plc and Warner Chilcott Limited. Warner Chilcott Limited is an indirect wholly-owned subsidiary of Allergan plc. The information in this Quarterly Report on Form 10-Q is equally applicable to Allergan plc and Warner Chilcott Limited, except where otherwise indicated. Warner Chilcott Limited meets the conditions set forth in General Instruction H(1)(a) and (b) of Form 10-Q and, to the extent applicable, is therefore filing this form with a reduced disclosure format.

---

## TABLE OF CONTENTS

FORM 10-Q FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2016

	PAGE
<b><u>PART I. FINANCIAL INFORMATION</u></b>	
Item 1. <u>Consolidated Financial Statements (unaudited)</u>	3
<u>Consolidated Balance Sheets of Allergan plc as of September 30, 2016 and December 31, 2015</u>	3
<u>Consolidated Statements of Operations of Allergan plc for the three and nine months ended September 30, 2016 and September 30, 2015</u>	4
<u>Consolidated Statements of Comprehensive Income of Allergan plc for the three and nine months ended September 30, 2016 and September 30, 2015</u>	5
<u>Consolidated Statements of Cash Flows of Allergan plc for the nine months ended September 30, 2016 and 2015</u>	6
<u>Consolidated Balance Sheets of Warner Chilcott Limited as of September 30, 2016 and December 31, 2015</u>	7
<u>Consolidated Statements of Operations of Warner Chilcott Limited for the three and nine months ended September 30, 2016 and September 30, 2015</u>	8
<u>Consolidated Statements of Comprehensive Income of Warner Chilcott Limited for the three and nine months ended September 30, 2016 and September 30, 2015</u>	9
<u>Consolidated Statements of Cash Flows of Warner Chilcott Limited for the nine months ended September 30, 2016 and 2015</u>	10
<u>Notes to Consolidated Financial Statements</u>	11
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	80
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	116
Item 4. <u>Controls and Procedures</u>	118
<b><u>PART II. OTHER INFORMATION</u></b>	
Item 1. <u>Legal Proceedings</u>	119
Item 1A. <u>Risk Factors</u>	119
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	119
Item 6. <u>Exhibits</u>	119
<u>Signatures</u>	120

## PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS  
ALLERGAN PLC

## CONSOLIDATED BALANCE SHEETS

(Unaudited; in millions, except par value)

	September 30, 2016	December 31, 2015
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$7,554.7	\$ 1,096.0
Marketable securities	19,837.6	9.3
Accounts receivable, net	2,398.5	2,125.4
Inventories	705.5	757.5
Prepaid expenses and other current assets	771.7	495.3
Current assets held for sale	455.9	4,095.6
<b>Total current assets</b>	<b>31,723.9</b>	<b>8,579.1</b>
Property, plant and equipment, net	1,566.3	1,531.3
Investments and other assets	341.1	408.7
Non current assets held for sale	207.2	10,713.3
Deferred tax assets	120.7	49.5
Product rights and other intangibles	63,022.7	67,836.2
Goodwill	46,625.8	46,465.2
<b>Total assets</b>	<b>\$ 143,607.7</b>	<b>\$ 135,583.3</b>
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$5,425.4	\$ 4,148.6
Income taxes payable	784.6	53.7
Current portion of long-term debt and capital leases	1,591.8	2,396.5
Current liabilities held for sale	223.7	1,693.2
<b>Total current liabilities</b>	<b>8,025.5</b>	<b>8,292.0</b>
Long-term debt and capital leases	31,178.2	40,133.9
Other long-term liabilities	1,022.7	1,262.0
Long-term liabilities held for sale	23.8	535.4
Other taxes payable	815.6	801.9
Deferred tax liabilities	12,811.5	7,968.8
<b>Total liabilities</b>	<b>53,877.3</b>	<b>58,994.0</b>
Commitments and contingencies (Refer to Note 20)		
Equity:		
Preferred shares, \$0.0001 par value per share, 5.1 million shares authorized,		
5.1 million and 5.1 million shares issued and outstanding, respectively	\$4,929.7	\$ 4,929.7
Ordinary shares; \$0.0001 par value per share; 1,000.0 million shares authorized,	-	-

Edgar Filing: Allergan plc - Form 10-Q

383.2 million and 394.5 million shares issued and outstanding, respectively		
Treasury shares, at cost, 1.7 million shares pending and zero shares, respectively	(400.0 )	-
Additional paid-in capital	66,184.2	68,508.3
Retained earnings	18,412.7	3,647.5
Accumulated other comprehensive income / (loss)	599.3	(494.1 )
Total shareholders' equity	89,725.9	76,591.4
Noncontrolling interest	4.5	(2.1 )
Total equity	89,730.4	76,589.3
Total liabilities and equity	\$ 143,607.7	\$ 135,583.3

See accompanying Notes to Consolidated Financial Statements.

## ALLERGAN PLC

## CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited; in millions, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net revenues	\$3,622.2	\$3,469.5	\$10,706.3	\$9,081.2
Operating expenses:				
Cost of sales (excludes amortization and impairment of acquired intangibles including product rights)	462.2	710.3	1,381.1	2,150.0
Research and development	622.8	1,260.5	1,662.4	1,927.9
Selling and marketing	796.0	683.6	2,429.6	2,017.2
General and administrative	361.2	339.1	1,033.9	1,188.0
Amortization	1,609.1	1,557.8	4,831.9	3,858.9
In-process research and development impairments	42.0	300.0	316.9	497.6
Asset sales and impairments, net	(4.7 )	(4.4 )	(24.0 )	3.1
Total operating expenses	3,888.6	4,846.9	11,631.8	11,642.7
Operating (loss)	(266.4 )	(1,377.4 )	(925.5 )	(2,561.5 )
Interest income	18.1	3.5	23.5	7.6
Interest (expense)	(324.3 )	(340.2 )	(1,002.9 )	(852.0 )
Other (expense) income, net	33.6	0.2	184.2	(238.1 )
Total other (expense), net	(272.6 )	(336.5 )	(795.2 )	(1,082.5 )
(Loss) before income taxes and noncontrolling interest	(539.0 )	(1,713.9 )	(1,720.7 )	(3,644.0 )
(Benefit) for income taxes	(158.9 )	(838.9 )	(825.8 )	(1,491.0 )
Net (loss) from continuing operations, net of tax	(380.1 )	(875.0 )	(894.9 )	(2,153.0 )
Income from discontinued operations, net of tax	15,601.9	6,177.6	15,873.2	6,701.7
Net income	15,221.8	5,302.6	14,978.3	4,548.7
(Income) attributable to noncontrolling interest	(1.8 )	(1.4 )	(4.3 )	(2.6 )
Net income attributable to shareholders	15,220.0	5,301.2	14,974.0	4,546.1
Dividends on preferred shares	69.6	69.6	208.8	162.4
Net income attributable to ordinary shareholders	\$15,150.4	\$5,231.6	\$14,765.2	\$4,383.7
(Loss) / income per share attributable to ordinary shareholders - basic:				
Continuing operations	\$(1.15 )	\$(2.40 )	\$(2.81 )	\$(6.46 )
Discontinued operations	39.73	15.69	40.25	18.67
Net income per share - basic	\$38.58	\$13.29	\$37.44	\$12.21
(Loss) / income per share attributable to ordinary shareholders - diluted:				
Continuing operations	\$(1.15 )	\$(2.40 )	\$(2.81 )	\$(6.46 )

Edgar Filing: Allergan plc - Form 10-Q

Discontinued operations	39.73	15.69	40.25	18.67
Net income per share - diluted	\$38.58	\$13.29	\$37.44	\$12.21
Weighted average shares outstanding:				
Basic	392.7	393.6	394.4	358.9
Diluted	392.7	393.6	394.4	358.9

See accompanying Notes to Consolidated Financial Statements.



## ALLERGAN PLC

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited; in millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net income	\$15,221.8	\$5,302.6	\$14,978.3	\$4,548.7
Other comprehensive income / (loss)				
Foreign currency translation (losses) / gains	(19.1 )	(42.4 )	173.8	409.0
Impact of Teva Transaction	1,544.8	-	1,544.8	-
Unrealized gains (losses) / gains, net of tax	(609.3 )	7.5	(625.2 )	11.1
Reclassification for gains included in net income, net of tax	-	-	-	-
Total other comprehensive income / (loss), net of tax	916.4	(34.9 )	1,093.4	420.1
Comprehensive income	16,138.2	5,267.7	16,071.7	4,968.8
Comprehensive (income) attributable to noncontrolling interest	(1.8 )	(1.4 )	(4.3 )	(2.6 )
Comprehensive income attributable to ordinary shareholders	\$16,136.4	\$5,266.3	\$16,067.4	\$4,966.2

See accompanying Notes to Consolidated Financial Statements.

## ALLERGAN PLC

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited; in millions)

	Nine Months Ended September 30,	
	2016	2015
<b>Cash Flows From Operating Activities:</b>		
Net income	\$14,978.3	\$4,548.7
<b>Reconciliation to net cash provided by operating activities:</b>		
Depreciation	117.6	183.9
Amortization	4,836.7	4,192.8
Provision for inventory reserve	162.7	108.6
Share-based compensation	269.9	510.5
Deferred income tax benefit	(517.1 )	(7,470.9)
Pre-tax gain sale of generics business	(24,203.1)	-
Non-cash tax effect of gain on sale of generics business	5,749.9	-
In-process research and development impairments	316.9	497.6
Loss / (gain) on asset sales and impairments, net	(24.0 )	57.2
Amortization of inventory step-up	42.4	1,019.8
Amortization of deferred financing costs	44.6	289.2
Contingent consideration adjustments, including accretion	76.7	89.2
Excess tax benefit from stock-based compensation	(26.6 )	(54.0 )
Other, net	(16.0 )	54.9
Changes in assets and liabilities (net of effects of acquisitions):		