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Teva Pharmaceutical Industries Ltd.

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CORPORATE PARTICIPANTS

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President & Chief Executive Officer

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MANAGEMENT DISCUSSION SECTION

Christopher Thomas Schott
JPMorgan Securities LLC

Good afternoon, everybody. I'm Chris Schott, pharmaceutical analyst at JPMorgan and next up this afternoon we have Teva. From Teva we're very pleased to, for the first time at the JPMorgan Conference, have Erez Vigodman, the company's President and CEO. Erez is going to make some introductory comments. We're going to have a little bit time for some Q&A in this room and then we'll move to the formal breakout session after that. So with that, I'll turn over to Erez.

Erez Vigodman
President & Chief Executive Officer

....again this afternoon. It's a pleasure for me to touch base with you in order to share the transformation journey Teva has been undergoing. Yes, Teva is transforming. We started 2014 with just getting our house in order first, then solidifying the foundation of Teva in generics, in specialty, our operational network, our efficiency measures, quality, all the relevant insights that enable us to get our house in order to solidify the foundation and then to maintain the COPAXONE franchise and to manage life cycle management of key potential LOEs.

We also develop the growth engines, the cylinders that will fire for us in years to come, and by the same time, we work out all these three pillars, we are also directing the resources which are required in order to reorient the direction of Teva to tap the opportunities that emanate from the discontinuities that we face in the industry to enable Teva not just to catch to competitors but also to do everything which is required in order to influence the rules of the game in the pharmaceutical industry. The four levers of organic growth framework demonstrates the progress that we made during 2014 and the way we are committed to continue delivering during 2015 onward.

In the generic business, in 2014, Teva integrated five different businesses under one roof, optimizing products and markets with strong focus on profitability, improving product selection decisions, accelerating the pace and number of FDFs and directing more and more resources towards complex generics and also towards the alignment between operations, R&D and the commercial side of the business.

During 2014, we committed to improve our operating margin in generics against Q4 2013 by 600 basis points until the end of 2017. We delivered in 2014 an improvement of almost 300 basis points from 19.2% operating

margin Q4 2013 to a more than 22% operating margin in Q4 2014 and we're committed to deliver at least additional 400 basis points improvement in our operating profit during 2015, which means that Teva, by the end of 2015, will be exhausting the course of the improvement that was promised to the Street during 2014 and we'll – will do it earlier and bigger.

In our cost reduction program, we are able to extract \$650 million of net savings during 2014 and we are on track to deliver \$500 million of net saving during 2015 and \$200 million during 2016, which means that during 2014 to 2016 timeframe, Teva will generate \$1.35 billion of net savings which is basically earlier and much more than what was promised to the Street during the course of 2013 and then just after taking over in February 2014.

We exercise all the effort which are required in order to deal with the potential LOEs in the course of the next three years. COPAXONE, the COPAXONE family base today treats 84,000 patients from which 52,000 are treated by the 40-milligram COPAXONE, which means that by the end of 2014, we were able to, one, to gain 19% market share with COPAXONE 40-milligram in the MS market and COPAXONE 40-milligram today with 19% market share is the leading therapy in the MS market and the 40-milligram accounts by the end of 2014 to 62% of the entire family. So we are on track to maintain the COPAXONE family going forward.

We will be able to maintain 50% of our AZILECT franchise to grow our respiratory franchise against the headwind of [the prior] LOE and also to extend the life cycle of TREANDA. By the same time, we are developing further and further our specialty pipeline. We are running today 130 clinical trials in 27 programs, 12 in CNS, nine in respiratory and six in the form of NTE. During 2014, Teva submitted seven files and – basically from which, six were approved.

We launched five products, four were very successful generating for us, during 2014, \$250 million of net revenues. In 2015, we plan two approvals, five submissions and seven launches that will generate for Teva \$400 million of new net revenues and together with the launches of the 2014, we'll generate in 2015 \$650 million for specialty – use specialty products that are launched during these two years.

By the same time, we'll see during 2015, we'll see four very important clinical milestone in four products that basically offer upside which is not embedded today in the models that are mounted by the Street. One the reslizumab, number two is the extended-release, abuse-deterrent hydrocodone, which is, for us, also a technology platform validation that might then culminated with a string of new product that will be produced by this property. Number three is the pridopidine in Huntington and the fourth one is LBR-101 in migraine. These are four very important clinical milestones that might convert 2015 to an inflection year in terms of the demonstration of the potential that is embedded in our pipeline.

The four levers of organic growth have been enabling Teva to create a solid foundation, a solid business from which we'll be able to grow the business going forward. It also enables Teva to defend \$5 per share in 2015-2016 having factored in generic entry to COPAXONE – generic COPAXONE entry in September 2015, and then growing the business in 2017, top-line and earnings and accelerating the momentum going forward. And even in the event of generic COPAXONE entry as soon and as early as January 2015, Teva will be able to hold \$4.75 per share in 2015, growing it to \$5 per share in 2015 and then growing from there earnings further in 2017, accelerating the momentum going forward.

Strong focus on cash flow enabled us basically to generate \$4.5 billion of cash flow from operations in 2014 and \$3.7 billion of free cash flow. We are best guiding for \$4.5 billion of cash flow from operations also in 2015 with \$3.7 billion of free cash flow in 2015 which basically reduces the leverage of Teva to 31% and 27% in 2014 and 2015 respectively with net debt-to-EBITDA ratio of 1.76 in 2014 and 1.51 in 2015, which provides Teva with ample resources for business development, which basically means that Teva offers today value creation potential which

goes far beyond just the organic moves, goes far beyond what we have manifested in our four levers of organic growth by just pursuing inorganic moves that shall be derived from the strategic direction that Teva has been crafting going forward.

Yes, we are in the transformation process. We are focusing not only on solidifying the foundation and on driving organic growth but also on targeting a unique space in the industry, a space that Teva will be able to claim for in a way that will differentiate Teva, a space that will be unique and will enable us to continue influencing the rule of the game in the industry and generating value to our shareholders by strong strategic focus on core capabilities and organic growth, by clear decisions with clear focus on where to play, by initiatives that go beyond chemical intervention, by strong market orientation, patient intervention and a global brand that will be launched during 2016, by building the most competitive global operational platform with the highest quality standard.

And yes, the efficiency measures are not confined only to basically to cost cutting, by the same time we are building the most competitive operational network in the pharmaceutical industry with \$10 CPU with 60% of the production placed in a low cost environment with less than \$7 CPU, differentiated and integrated R&D, global leadership position in emerging market and strong innovation infrastructure capabilities and culture that go beyond chemical intervention.

So in 2019, Teva is a company which is driven strongly by its patient needs. It's a company that on the broad front in generics, focuses on how to produce complex generics. In the specialty business, we will be focusing more and more in areas where we have established strength and where we can claim for market and even global leadership and also at the intersection of generics and specialty and an industry which continues to raise the bar, there is a vacant space which fits Teva, the intersection between generics and specialty in a way that involves combinations between drugs, devices, services and technologies. In a quest to improve adherence and compliance, in a quest to deliver better solutions for patients, we will increase significantly our presence in emerging markets and we will own the most competitive operational network in the industry, that's Teva in 2019.

And all the BD initiatives that Teva will be pursuing in 2015 onward will be in a quest to reinforce the direction and to support this strategy. 2015 is a year for us of moving and shifting the orientation from solidifying the foundation, building the cylinders that will fire for us in the future to inorganic moves. 2015 will be a year where Teva – when BD will play a much bigger role in Teva. Thank you.

QUESTION AND ANSWER SECTION

Christopher Thomas Schott

JPMorgan Securities LLC

Q

Yeah. Thank you very much for those comments. As you just wrapped up on the business development front, I mean, at least to me, it seems like that's a real key question for Teva as we look out the next couple of years, can you elaborate a little more as you've been CEO now for a year, you evaluate where Teva is today, where you want Teva to be, what are really, what are you looking for in the business development front? Can you just – just flush out a little bit for us what type of assets you ideally want to look for, what do you hope that brings the organization to kind of get your vision and where the organization should be in 2019?

Erez Vigodman

President & Chief Executive Officer

A

Yeah so once we are clear about where we want to be in 2019, then for us it means that focus is going to be target towards complex generics and towards emerging markets, growth markets in the generic space. In-market products and attractive enough pipeline assets in the specialty space in key TAs and also we will not be hesitating to be engaged in loss transaction to the extent they provide for us a value which is significantly enough and also we can capture significant synergies.

Christopher Thomas Schott

JPMorgan Securities LLC

Q

When I think about business development, what are the – can you tell a little bit more on the criteria as well the financial criteria that you would look at on transactions? Does EPS accretion for instance have to be part of the – part of a transaction or would you be willing to look at a deal that maybe – was a bit dilutive initially but really helpful long term growth of the company?

Erez Vigodman

President & Chief Executive Officer

A

So basically for us what is really important is to reinforce the strategic direction that was basically crafted and that I am just sharing it with you. By the same time, we live in an industry where accretive EPS overshadows almost everything. And sometimes, it comes also the expense of ROI or IRR and over time, the only way to generate value in the industry – not only in the industry to generate value especially via acquisitions is to pursue basically IRR which is attractive enough. ROI for me or IRR are the ultimate end parameters in a quest to generate value over time. So for us, yes, we need to play the rules that prevail in the industry. So accretive EPS is important, but what is more important is to generate value to our shareholders. So ROI is a critical parameter for us and also the way we will be able to reinforce the strategic direction that was just manifested that's also an important consideration.

Christopher Thomas Schott

JPMorgan Securities LLC

Q

Over this year, you've narrowed the focus down to on the branded side, two core therapeutic areas, was that a matter of – for the size of where Teva is today, two is – makes sense or was that more driven by the opportunities you saw within the pipeline where you maybe just wanted the scale you needed in those other therapeutic areas?

Erez Vigodman*President & Chief Executive Officer*

A

So the challenge in 2015-2017 which was not only – just a year ago, which is to basically defend \$5 per share in 2015, 2016. Even in the event of generic COPAXONE entry as early as January 2015, and to be able then to start grow earnings in 2017 accelerate the momentum going forward. So the strong focus on these three years is critical for us. And in the processes of solidifying the foundation, simplifying the business and increasing the focus on core capabilities, we decided that, at this stage, we need to narrow the focus on therapeutic areas where we have established strength already and where we believe we will be positioned to claim for market leadership or global leadership over time. It doesn't mean that beyond 2017 Teva will not consider basically new therapeutic areas which are not under the focus today.

Christopher Thomas Schott*JPMorgan Securities LLC*

Q

So just to follow that and tying it into business development, to the extent an opportunity presented itself in 2015 or 2016 to maybe expand that therapeutic focus, would that be off the table right now, because you just want to make sure you get these first two right or could we accelerate that addition of therapeutic areas if the right inorganic opportunity presented itself.

Erez Vigodman*President & Chief Executive Officer*

A

So, we need to be consistent and to walk the talk which means that the focus during the 2015-2017 is on therapeutic areas, which are well defined as key ones for us where we have established our strength where we are positioned to claim for global leadership and that's the focus for us in 2015-2017.

Christopher Thomas Schott*JPMorgan Securities LLC*

Q

Okay. Changing gears a little bit, the generic business, you're driving very, very impressive operating margin expansion as we look through 2015. Can we just talk a little bit about, once that's complete, is the re further opportunity for margin expansion within that generic business or is that largely going to be taken care of in 2015? I am trying to think how do – how we think about growth in that business over time, beyond the step-up we're expecting this year?

Erez Vigodman*President & Chief Executive Officer*

A

Yeah, so there is a strong focus today on bottom line, optimization of product and markets, decisions, product selection decisions and also basically the acceleration of FTS, strong focus on margin on profitability in a way which is manifested itself in a very clear manner. Over time, the generic business will drive up also the top-line. So we believe that, in 2017 onward, we start to see the generic business driving up also the top-line without derogating from the efforts to continue exercise pressure on margins and bottom line.

Christopher Thomas Schott*JPMorgan Securities LLC*

Q

And then one last one on the generic business, biosimilars, there's a lot more discussion around biosimilars as we come into 2015. How critical is biosimilar to Teva's long-term success?

Erez Vigodman*President & Chief Executive Officer*

A

We asked a lot about biosimilars but basically the question is about biologics. We see the prominent role of biologics in the industry in a way that gains more and more momentum. Even for us in order to produce reslizumab and LBR-101, we need basically a biologic capabilities or docking capabilities. So it goes beyond, it goes beyond biosimilars. Teva is committed to develop the infrastructure which is required in order to basically tap the opportunities that will emanate from the biologic universe, it is [critical] in the industry, one.

Number two, Teva is a committed then to use the infrastructure in order to also compete in a very successful manner in the biosimilar space and we don't want to rule out the possibility of using basically the capabilities that we have been building in biologics to offer also biobetter product. So, when you look at this space, you look at basically at capabilities that will enable us to drive up our specialty business. We look at capabilities that will enable us also to offer biobetter product, and by the same time, we'll be competing in a selective manner in the biosimilar space.

Christopher Thomas Schott*JPMorgan Securities LLC*

Great. Thanks very much. We'll continue discussion across in the breakout session but, Erez, thank you very much for the comments.

Erez Vigodman*President & Chief Executive Officer*

Thank you very much.

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