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EDITED TRANSCRIPT

VRX.TO - Q4 2011 Valeant Pharmaceuticals International, Inc. Earnings Conference Call

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OVERVIEW:

Co. reported full-year 2011 total revenues of $2.46b and cash EPS of $2.93. 4Q11 total revenue was $688m and cash EPS was $0.94.

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PRESENTATION

Operator

Good morning. My name is Matthew, and I will be your conference operator today. At this time, I would like to welcome everyone to the Valeant Pharmaceuticals fourth-quarter 2011 year-end conference call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. (Operator Instructions).

Thank you. Laurie Little, you may begin your conference.

Laurie Little - *Valeant Pharmaceuticals International, Inc. - VP, IR*

Thank you, Matthew. Good morning, everyone, and welcome to Valeant's fourth-quarter and year-end 2011 financial results conference call. Joining us on the call today are J. Michael Pearson, Chairman and Chief Executive Officer; Rajiv De Silva, President and Chief Operating Officer of Specialty Pharmaceuticals; and Howard Schiller, Chief Financial Officer.

In addition to a live webcast, a copy of today's slide presentation can be found on our website under the Investor Relations section.

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Certain statements made in this presentation today may constitute forward-looking statements. Please see slide one for important information regarding these forward-looking statements and associated risks and uncertainties. Readers are cautioned not to place undue reliance on any of these forward-looking statements. The Company undertakes no obligation to update any of these forward-looking statements to reflect events or circumstances after the date of this presentation or to reflect actual outcomes.

In addition, this presentation contains non-GAAP financial measures. For more information about non-GAAP financial measures, please refer to slide one. Non-GAAP reconciliations can be found in the press release issued earlier today and posted on our website.

Finally, the financial guidance in this presentation is effective as of the date originally provided, January 6, 2012. It is our policy to update our firm guidance only through broadly disseminated public disclosure.

With that, I will turn the call over to Mike Pearson.

J. Michael Pearson - *Valeant Pharmaceuticals International, Inc. - Chairman, CEO*

Thank you, Laurie. Good morning, everyone, and thank you for joining us. 2011 was another strong year for our Company as we completed the Valeant-Biovail merger and continued our aggressive, but disciplined, M&A strategy to build critical mass in US Dermatology, Canada, Australia and Central and Eastern Europe.

We move into 2012 on the heels of another solid quarter and remain optimistic about our base business performance and for the prospects of continuing to execute our business development agenda.

On today's call, we will be discussing the following topics. First, I will review our fourth-quarter results and our 2011 performance. Next, I will cover our recent deals. Then I will turn the call over to Rajiv to discuss our US Dermatology performance and plan. And finally, Howard will provide a financial update.

This morning, we reported Valeant's fourth-quarter and full-year results for 2011, which again showed strong growth, profitability and cash flows. Total revenue in the fourth quarter of 2011 was $688 million as compared to $515 million in the same period in the prior year, an increase of 34%. Our fourth-quarter cash EPS was $0.94 per share, or an increase of 88% over 2010, and adjusted cash flow from operations was $253 million in the quarter. This represented a 22% increase over the comparable quarter in 2010.

Sales towards the end of the fourth quarter were particularly strong, resulting in higher than normal levels of working capital. Excluding working capital changes, adjusted cash flow from operations was approximately $315 million, more than 50% higher than Q4 2010.

2011 was a year where we maintained a solid upward momentum each quarter. Our business units continued to deliver outstanding results throughout the year, a testament to our diversified operating model. After adjusting one-time items, the Cloderm divestiture in Q1 and the GSK milestone in Q2, Valeant demonstrated consistent growth in both the top and bottom line quarter to quarter throughout the year.

For the full year, total revenue in 2011 was $2.46 billion as compared to $1.2 billion in 2010, and our cash EPS was $2.93 per share for the year. Both metrics exceeded original guidance by 17% and 30%, respectively.

Organic growth is an important metric for any company, and we are pleased to report an overall organic growth rate in the fourth quarter of 10% and for the full year 9%, both ahead of our guidance for 2011, which was 8%. I know there were concerns about the sustainability of our growth assets after the second quarter last year, and I hope the last two quarters have helped to allay some of these concerns.

With the exception of US Neuro, which is comprised of a diverse set of primarily non-promoted tail products, all of our business segments showed strong organic growth rates at or close to the double-digit level. We are particularly encouraged by our US Dermatology results, which Rajiv will cover in more detail later in the call.

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Our adjusted cash flow remained strong throughout 2011. With the addition of the $253 million in the fourth quarter, we realized $925 million in annual adjusted cash flow in 2011, consistent with the latest guidance of greater than $900 million. More important, we are building a business that is designed to continue growing in the years to come. For management and our Board, cash flow from operations is the most important metric we measure.

Finally, our financial performance in 2011 as compared to the guidance we provided in January of 2011 exceeded our guidance on all levels. We began 2011 expecting revenue to be between $2.1 billion and $2.3 billion and ended the year at $2.46 billion. Our organic growth was exceeded by achieving 9% organic growth for the year, despite several of our products experiencing more generic erosion than expected.

Cash EPS, originally targeted between $2.25 and $2.50 for the year, was $2.93, or 30% above the low end of the range.

Finally, we delivered adjusted cash flow from operations of $925 million.

The fourth quarter was a busy one for us, as we completed four important transactions in the month of December. The Ortho business completed on December 12 combined with the Dermik business closing on December 16 brought several new marketed products to our Dermatology portfolio, in addition to highly regarded sales forces. We also picked up a new topical manufacturing plant and a strong dermatology infrastructure in Canada, something we were in the initial stages of building.

We also picked up a strong Canadian consumer franchise with Afexa, which we will use to supplement and jumpstart the sales of our other OTC product in Canada, such as CeraVe, which was recently launched.

Our acquisition of iNova not only enhanced and balanced out our operations in Australia, which were heavily weighted towards the consumer market, but we now have an interesting opportunity for expansion into the Southeast Asian and South African markets. Our expectations for 2012 will be to establish operations in other Southeast Asia markets and launch Valeant products in these territories. We also expect to devote resources to this region and aggressively pursue other business development activities.

We have also been busy with some smaller deals announced so far in 2012. We announced the acquisition of Probiotica in Brazil, which will provide us with a strong entry into the sports nutrition and food supplement category. The current growth in this area in Brazil is tremendous and piggybacks on the local market's demand for beauty, health and fitness. We also see the potential for upside, with current government discussions under way regarding significantly increasing import tariffs that could affect the sales of similar products imported from the US, a large component of the current market.

We also announced the acquisition of Eyetech, a specialty pharmaceutical company that markets Macugen, the first treatment for wet age-related macular degeneration. With the addition of this product, we have begun to add critical mass to our growing ophthalmology franchise and will be looking to continue to add to our portfolio in the future.

Both of these transactions were acquired at prices less than two times sales, and we will continue to be disciplined in our business development.

Our deal pipeline remains robust and we would expect to be as active on the deal front in 2012 as we were in 2011.

Since late December, much of the management team's focus has been on integrating the four companies we bought at the end of last year. We are pleased to report that all four integrations are going remarkably well, and as of today, we are already at a $135 million run rate in terms of synergies compared to the targeted $200 million run rate we announced less than six weeks ago.

Finally, I would like to give you a quick update on Retigabine. The current planned launch for Potiga in the US is in April. In addition, we continue to work with our partner, GSK, on progressing a modified formulation.

Now I will turn the call over to Rajiv.

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Rajiv De Silva - *Valeant Pharmaceuticals International, Inc. - President, COO of Specialty Pharmaceuticals*

Thank you, Mike. First, let me begin with an update of the integration efforts in our US Dermatology business. We have made excellent progress, effectively completing the commercial integration within roughly 4 weeks of the close of the Dermik and Ortho Dermatologics transactions.

Our newly-integrated field force was launched at the end of January at our national sales meeting. The newly-acquired brands have been included within the core lineup, with adjustments for product positioning as required by our portfolio strategy in Dermatology, and advertising and promotion plans have been optimized.

The only remaining major integration activities relate to long-term product supply and the transition of the manufacturing plants, both elements which we expected to take longer and neither of which have been included in our (inaudible) target.

Integration of the new businesses allows us to significantly strengthen our Dermatology strategy in the US. In acne, we now have the ability to build Acanya as we transition business from Benzaclin and grow the combined portfolio of [atridanoids], Retin-A Micro and Atralin.

In dermatitis, our main strategy is the rejuvenation of Elidel, while continuing to position CeraVe as the dermatologist-recommended therapeutic skin care line. With Zovirax and Xerese, we are positioned to deliver a strong and growing platform in topical antivirals well into the future.

And finally, with Sculptra, Pro+Therapy MD and Renova, we have launched a focused effort in aesthetics as well.

It is also important to note that we have been able to maintain strong growth in the US Dermatology franchise through the period of integration planning and implementation. This is highlighted by the continued growth in our key brands. Our top acne products, Acanya and Atralin, both achieved volume growth of over 25% in 2011, demonstrating that they are still on a strong growth trajectory three and four years after launch, respectively. Zovirax also grew 25% in 2011 in terms of TRx grams sold, a more relevant statistic due to the change in tube presentation we introduced last year.

And finally, the crown jewel in our Consumer Dermatology portfolio, which is our skincare line, CeraVe, continued its significant volume growth in 2011, with over 50% growth at retail, as well as market share gains.

This next chart further demonstrates the sustained volume growth that Acanya and Atralin have achieved since the beginning of 2009, or essentially when the two products were acquired by Valeant. It is important to note that Acanya continued to grow in 2011 even as we revamped our copay assistance program to be more economically sustainable for us.

We relaunched Elidel in late 2011 and have seen a significant positive change in momentum, particularly among the dermatologist community. As many of you now, there was FDA advisory committee convened to discuss the safety profile of topical calcineurin inhibitors in 2011, with a very positive outcome for Elidel. This, coupled with our strong relationships and field force capabilities, gave us much hope for the future trajectory of this brand.

Our strategy to move the presentation of Zovirax ointment from a 15-gram tube to a 30-gram tube has jumpstarted the overall growth of this product. We saw the strength continue during consecutive quarters in 2011. At the same time, with the combined portfolio of Zovirax cream and Xerese cream, we have rejuvenated the cold sore segment of the antiviral market for Valeant as well.

Also, as I just mentioned, we were pleased to see the continued growth of CeraVe during 2011. We continued to drive this growth through new product introductions, including the Facial PM lotion, the AM lotion, which contains an SPF 30, and a foaming cleanser. These SKUs already account for 30% of the CeraVe business despite only being launched in the past 24 months.

We've also just launched a new SKU a few weeks ago, CeraVe SA renewing lotion to address rough, bumpy skin. We are finally working on additional SKUs for the future as well.

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Now, a brief update on our pipeline projects in Dermatology, most of which we have already talked about. We have four novel compounds in active development, including our IDP-108 compound, as well as other projects in various stages. We do not have any updated information on IDP-108 as we are still awaiting a pre-NDA meeting with the FDA.

On the lifecycle management front, we are currently working on approximately 15 projects that cover next-generation formulations and versions of products such as Retin-A Micro, Acanya and Sculptra.

In addition to these types of products, we are also working on several generic topicals as well.

With that, now I will turn the call over to Howard.

Howard Schiller - *Valeant Pharmaceuticals International, Inc. - EVP, CFO*

Thank you, Rajiv. Today, we reported our fourth quarter 2011 results. Mike already touched upon our top-line growth, but I wanted to provide further detail as to some of our other P&L items.

Our cost of goods sold for the fourth quarter was 25% compared to 31% in the fourth quarter of 2010. For the entire year, our cost of goods sold were 27%. I will give more detail about our cost of goods sold later in the presentation.

We continue to maintain a tight rein on our expenses. SG&A expenses as a percentage of sales have remained relatively flat at 21%. We expect SG&A as a percentage of sales to remain in this range.

As we mentioned in our press release issued earlier today, foreign currency fluctuations continue to impact our financial results, albeit the impact was larger on the top line than the bottom line due to the natural hedge we have in our operations. The foreign exchange impact on revenue was approximately $36 million in the fourth quarter, or a negative impact of approximately $0.06 cash EPS.

Although we do not primarily hedge our operations, we sometimes do engage in hedging activities around our acquisitions in order to protect against currency movements. During the fourth quarter, we put in place several contracts as a result of the iNova transaction which resulted in a gain of about $16 million, or a positive impact of $0.05 cash EPS, which helped offset the negative impact of currency in the quarter.

Bottom line, we achieved cash EPS of $0.94 and adjusted cash flow from operations of $253 million. Excluding working capital changes, adjusted cash flow from operations was approximately $315 million, more than 50% higher than Q4 2010.

With the exception of our US Neuro and Other business, all of our business segments demonstrated strong sales growth in 2011, both organically and through acquisitions. Post the fourth-quarter acquisitions, we have substantial businesses in each of our segments and we continue to be excited about the growth opportunities in the emerging markets, including Russia, Southeast Asia, South Africa and Brazil.

In addition, the US Neuro segment continues to decline as a percentage of total sales, from 41% in Q4 2010 to 29% Q4 2011, and expected to be approximately 20% in 2012.

Similar to what we presented on our third-quarter conference call, our growth continues to be fueled by volume increases rather than by price. This trend will continue, and we will manage our US Neuro and Other segment with an appropriate mix of price increases to balance potential volume decreases in certain products.

The rest of the Valeant business will continue to grow through volume increases, as the rest of our business does not have much flexibility to set price due to economic and reimbursement factors in those regions.

Many of our investors ask us about our plans for improvement in gross margins in the future, especially in light of the fact we've made several acquisitions in recent years that included manufacturing plants. Our cost of goods sold is an area that we do not typically target for synergies

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immediately after a transaction is closed, but we have been diligently working on improving this metric for some time. As you can see by the chart on your screen, we have made great strides, from a cost of goods sold of 31% in the fourth quarter 2010 to 25% in the most recent quarter.

As we move forward, we expect continued improvement due to product mix and operational improvements, and our long-term objective is to improve to at least 80% gross margins.

To wrap up our discussion of 2011, we provided the following waterfall chart, depicting the inflows and outflows of our cash. We ended 2010 with a cash position of nearly $400 million, brought in $925 million in adjusted operating cash flow, in addition to issuing another $2.7 billion in debt during the year. We bought back $639 million in securities repurchases and made approximately $2.9 billion in acquisitions.

The remaining $293 million in capital expenditures, restructuring, legal and integration expenses, along with some miscellaneous expenses, get us to cash position at the end of 2011 of $164 million. Our current cash position following the most recent financing is approximately $570 million. In addition, we have an undrawn revolver of $275 million, giving us a very strong liquidity position.

As has been our past practice, we will actively manage our balance sheet to deliver superior returns to our shareholders while maintaining strong access to the credit markets.

We operate in markets all over the world and our results will be impacted by the relationship between the US dollar and a number of foreign currencies. As mentioned earlier, we manufacture in many of the regions in which we sell products, which gives us a natural hedge for a portion of our currency exposure.

In 2011, the US dollar strengthened against most of our relevant currencies, which put pressure on the top line. So far in 2012, however, the dollar has weakened against this basket of currencies and our results have benefited from this move. Obviously, we cannot control currency fluctuations and we will continue to manage our businesses to maximize results in local currencies.

This slide references currency impact of our major currencies. In 2011, the Polish, Hungarian, Mexican and Brazilian currencies weakened significantly against the dollar. The South African Rand also weakened, but we were not exposed to it, given that we acquired our South African business as part of the iNova acquisition at the end of 2011.

Before I end, there are a few miscellaneous items I wanted to mention eerie. First, a reminder to everyone that we will be moving to a new segment reporting beginning in the first quarter of 2012. The primary change will be that we now intend to group all of our branded generic operations into one segment called Emerging Markets. We will continue to break out our revenues for this division on our press table so you can see the growth in Europe, Latin America and our new operations in Southeast Asia and South Africa.

The remaining segments will not change, which will bring us to four main segments going forward.

I did want to take a moment to highlight our current share count, which was approximately 317 million on a diluted share count basis at the end of the year. This is a significant drop from the end of 2010, when our share count was 329 million and a direct result of our securities repurchase program activities.

In addition, our liquidity remains strong with the recent repayment of the $275 million revolver, which remains available if we need to access it for future corporate purposes. We also have a current cash position of approximately $570 million as of the end of last week.

Lastly, we recently closed another successful financing of $600 million senior secured term loan B. The interest rate is the same as our term loan A except for the 1% LIBOR floor. The deal was again oversubscribed and a testament to the attractiveness of our diversified operations and our robust cash flows to the credit markets. Although many of you were concerned over the recent notch-down issue by Moody's on our senior secured debt, we do not believe this will impact our future access to capital. Our corporate family rating was reaffirmed at Ba3/BB.

I would like to now turn back over to Mike.

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J. Michael Pearson - *Valeant Pharmaceuticals International, Inc. - Chairman, CEO*

In conclusion, we believe our ability to deliver solid growth is a testament to the value of our diversified business model, as well as our team's ability to effectively manage our business. We plan to continue to build on our past successes and look forward to another successful year in 2012.

With that, we will now open up the call for questions. Operator.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Tim Chiang, CRT Capital.

Tim Chiang - *CRT Capital Group - Analyst*

You mentioned that you are already at $135 million cost synergy run rate, and you expect to be at around $200 million by the middle of the year, at least that was your prior guidance. Is there any chance that $200 million number is going to be moved up by the middle of the year?

J. Michael Pearson - *Valeant Pharmaceuticals International, Inc. - Chairman, CEO*

Yes, I think there is a chance.

Tim Chiang - *CRT Capital Group - Analyst*

Also, you gave some very specific geographic breakouts of the cost synergies. Where are you running ahead right now; is it just Europe and the Dermatology segment?

J. Michael Pearson - *Valeant Pharmaceuticals International, Inc. - Chairman, CEO*

No, as Rajiv went through, we are pretty well complete in Dermatology in the US, where it is a lot easier to affect changes more quickly. Europe is where we are slower. Because of union negotiations, sometimes it takes about six months to get people to leave the payrolls.

So we are on plan. It just won't happen until the second quarter. And iNova and Afexa are pretty well on plan. So the US is where we are furthest in front.

Tim Chiang - *CRT Capital Group - Analyst*

Just one last follow-up, Mike. I know this is a pretty general question, but how is Europe doing for you guys right now?

J. Michael Pearson - *Valeant Pharmaceuticals International, Inc. - Chairman, CEO*

Europe -- it is doing well. I think you saw in the quarter organic growth continues to be strong. I know a lot of other companies have signaled issues in Europe. Clearly, Western Europe does have some impact on our business because a lot of exports from Central and Eastern Europe go into Western Europe.

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But our business remains solid. We had a very successful negotiation with the Polish government on reimbursement, and we had no price decreases this year in Poland. So pricing remains solid, and you can see our volume increases.

Tim Chiang - *CRT Capital Group - Analyst*

Okay, great. Thanks, Mike.

Operator

David Risinger, Morgan Stanley.

David Risinger - *Morgan Stanley - Analyst*

I have a couple questions. Just to clarify a few things. First, in terms of the guidance call on January 6, I think you talked about a $40 million FX impact in the fourth quarter. And then today, you reported $16 million -- I guess the number was $15.7 million on the top line. Could you just sort of reconcile those two, since that January 6 guidance call was after the fourth quarter was over?

J. Michael Pearson - *Valeant Pharmaceuticals International, Inc. - Chairman, CEO*

Sure. Howard can take that.

Howard Schiller - *Valeant Pharmaceuticals International, Inc. - EVP, CFO*

Sure. There is a couple of different FX-related issues. The first is, as we said today, there was about a $36 million hit to the top line due to FX during the quarter compared to where we expected currencies to be, and that cost us the $0.06.

Separately, we hedged the iNova transaction. We bought Australian dollars, and it moved in our favor to the tune of a little over the $16 million. So we got that benefit that more or less offset the loss due to currencies from operations during the quarter.

David Risinger - *Morgan Stanley - Analyst*

Okay. And just so we understand guidance versus actuals on FX going forward, so you are commenting today on the FX impact of $36 million relative to your budget, but the real FX impact on the top line was $15.7 million. Is that correct?

Howard Schiller - *Valeant Pharmaceuticals International, Inc. - EVP, CFO*

Are you referring to the organic growth table from the press tables, which looks at equalizing currencies year-over-year?

David Risinger - *Morgan Stanley - Analyst*

Yes, that's correct.

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Howard Schiller - *Valeant Pharmaceuticals International, Inc. - EVP, CFO*

The way that we -- when we came out with our guidance, we looked at a forward currency rate through the time we put our budget together, which -- and we basically picked a mid-point of the forward curve, which for all intents and purposes, is pretty close to spot rates at the time. And that was the basis of our guidance.

David Risinger - *Morgan Stanley - Analyst*

Okay. And then maybe you could also comment on receivables. Mylan said last Tuesday that receivables in Central and Eastern Europe are increasingly becoming a problem. Can you just give us a sense for your view on receivables and how well reserved you are?

J. Michael Pearson - *Valeant Pharmaceuticals International, Inc. - Chairman, CEO*

Yes, sure. So we have a policy that anything over 90 days, we write off. So it is a pretty strict policy. So -- and because of that, we are not seeing any real changes in our receivables, and so our numbers reflect the fact that anything over 90 days is not included anyway.

David Risinger - *Morgan Stanley - Analyst*

Okay. That's great. And then for IDP-108, obviously you've said that you need to meet with the FDA. How should we think about this product? Should we think about it as having sales potential in the US or primarily ex-US? Is there any way you could provide some color on that?

J. Michael Pearson - *Valeant Pharmaceuticals International, Inc. - Chairman, CEO*

I think you should look at products like Lamisil and Sporanox as sort of proxies for how the sales distribution is going to be. So I think, unlike many pharmaceutical products, roughly 30% to 40% were sold in the US of these products. They are big brands in the emerging markets, and smaller in Western Europe. So from that standpoint, it kind of fits our footprint quite well.

David Risinger - *Morgan Stanley - Analyst*

Okay, great. One final question. Obviously the Eyetech acquisition caught some by surprise, but it seems like you understand how to create value and there must be NOLs and accretion there. Is there any way that you could provide a little bit more color on that?

J. Michael Pearson - *Valeant Pharmaceuticals International, Inc. - Chairman, CEO*

Sure. First of all, we paid less than two times sales. And the sales and marketing and support for it will not be extensive, and so the cash payback will be probably less than two years. So from our standpoint, that probably does create some value for shareholders.

David Risinger - *Morgan Stanley - Analyst*

Okay. Thanks so much.

Operator

Gregg Gilbert, Bank of America Merrill Lynch.

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Gregg Gilbert - *BofA Merrill Lynch - Analyst*

I have a few. My first one is for Howard. Being new to the Company, I was hoping you could talk a bit about how you view the risks and the opportunities, and how you thought about those before joining the Company, and what diligence you did to get comfort as a starting point. Thanks. And then I have a couple for Mike.

Howard Schiller - *Valeant Pharmaceuticals International, Inc. - EVP, CFO*

Sure. I've been asked this question a number of times. And my initial impressions are that we've got opportunities in each of our businesses around the world. We've got very strong operations. I personally don't believe that the market generally understands and appreciates the strength of the underlying business. And in addition, I think from a business development point of view, there is so much focus as we've gotten bigger on us doing very large public company deals. And yet I see -- what I've seen so far is there is a lot of opportunities, just like we saw in iNova, or even in this quarter, Probiotica or Eyetech, to impact quite dramatically business segments without them being sort of overall megadeals for the Corporation. And I expect to see that continue on the business development front. So I'm very excited about the opportunities we have in front of us.

Gregg Gilbert - *BofA Merrill Lynch - Analyst*

Okay. Mike, you mentioned cash flow from ops is the most important metric you and the Board measure. Is that on an adjusted basis or on an actual basis?

J. Michael Pearson - *Valeant Pharmaceuticals International, Inc. - Chairman, CEO*

Well, we look at both. But our two main purposes in life are to generate as much cash as possible for shareholders and then to deploy it in an intelligent and responsible way. And that is how we run this Company.

So what we are looking for is building long-term cash flow streams that are growing, and that is the real focus. We obviously look at what our one-time costs are and we try to make efforts to minimize those as well. But the primary focus is on the long-term cash flow that we are generating.

Gregg Gilbert - *BofA Merrill Lynch - Analyst*

One more and I'll get back in line. Can you tell us what level of sales were booked in the quarter for Dermik, Ortho and iNova?

J. Michael Pearson - *Valeant Pharmaceuticals International, Inc. - Chairman, CEO*

Yes, iNova was very, very small, a couple hundred thousand dollars. Ortho was about -- what was it? Ortho and Derm together were $17 million.

Gregg Gilbert - *BofA Merrill Lynch - Analyst*

Ortho and Dermik together?

J. Michael Pearson - *Valeant Pharmaceuticals International, Inc. - Chairman, CEO*

Yes, so saying $17 million for all three.

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Gregg Gilbert - *BofA Merrill Lynch - Analyst*

Okay. And then just lastly, Mike, can you talk a little more about your desire to pursue ophthalmology as an area of interest and whether there is any in-house expertise there as it relates specifically to ophthalmology? Or is that something you would tend to try to get out of some of your future acquisitions? Thanks.

J. Michael Pearson - *Valeant Pharmaceuticals International, Inc. - Chairman, CEO*

Sure. Ophthalmology, we like for many of the reasons we like dermatology. It turns out we actually do have some in-house capability through the Dow Pharmaceuticals development facility up at Petaluma.

As you may recall, we do a lot of work for outsiders in that facility as part of our leveraged R&D model, and it is primarily in areas of dermatology and ophthalmology. So 30%, 40% of what they do every day is in the area of ophthalmology.

So because of that, we feel we can actually develop a pipeline just like we have in dermatology in ophthalmology and supplement it through either product or company acquisitions, and hopefully continue to build that one similar to what we did in dermatology over the last couple years.

Gregg Gilbert - *BofA Merrill Lynch - Analyst*

Thank you.

Operator

Gary Nachman, Susquehanna Financial.

Gary Nachman - *Susquehanna Financial - Analyst*

My first question on Latin America -- is that still a priority for M&A? You just did a small deal in Brazil. Are the macro factors there still looking favorable enough, and what surrounding countries do you plan on going into?

J. Michael Pearson - *Valeant Pharmaceuticals International, Inc. - Chairman, CEO*

Yes, we still like Latin America. Obviously, we did less in Latin America last year than in some of the other areas, so I think you can expect that we will do more in Latin America this year. We still think the fundamentals are quite strong, Brazil in particular. The pharmaceutical market in Brazil last year grew over 15%, so it is a great market.

Our Mexican business continues to perform well as well. There was a little softness in the fourth quarter, but that was primarily due to the comparables. You may recall in 2010, we stopped shipments early in Latin America. And so there was a lot of additional sort of third-quarter sales in fourth quarter last year. So in terms of overall growth, it is strong.

In terms of other countries, we like Colombia. We like Chile. And there is a few others, but those would probably be the two next priorities.

Gary Nachman - *Susquehanna Financial - Analyst*

Okay. Do you find that it is getting more competitive with a lot of pharma companies looking there, or do you still think there is a lot of opportunity for you to find good, valuable targets like you have in the past?

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J. Michael Pearson - *Valeant Pharmaceuticals International, Inc. - Chairman, CEO*

We actually are seeing -- for a while, pricing of assets got quite high last year, when there were a couple of very expensive deals done. That was one of the reasons we backed off. I think as evidenced by the Probiotic deal, which, again, was for less than two times sales, prices have gotten back in line to areas where we feel comfortable. And there are many, many, many small private companies out there.

Gary Nachman - *Susquehanna Financial - Analyst*

Okay. And then Central and Eastern Europe, sort of a similar discussion about other countries, what you plan on expanding into, and also what you might be exiting from the deals that you have done recently.

J. Michael Pearson - *Valeant Pharmaceuticals International, Inc. - Chairman, CEO*

Yes, we have exited the Israel market, which -- it was subscale and we didn't feel like competing with Teva on their home court. We have a very small business in Greece that we are considering whether we stay in there. The other countries, we feel pretty comfortable with that we are in.

In terms of priorities, I think it is going to be Russia and sort of the former CIS countries, where we think there is a great opportunity. Again, it is a -- the market is growing quickly and there is a lot of pricing flexibility in that part of the world.

Gary Nachman - *Susquehanna Financial - Analyst*

Okay. And then last question on Canada; that looked very strong in the fourth quarter. There are some launches that you benefited from in the quarter. And what type of launches are you guys expecting for 2012 in order of magnitude? Thanks.

Rajiv De Silva - *Valeant Pharmaceuticals International, Inc. - President, COO of Specialty Pharmaceuticals*

Sure. You are right. Canada has had very strong performance. We had eight new product launches in the prescription business in Canada last year, which is probably one of the largest numbers for any pharma company in Canada last year. And also, a number of launches on the consumer side as well.

The most substantial launch that we had last year was for Sublinox, which is the long-acting version of Ambien. And Ambien itself was never launched in Canada, so there is a very large unmet need for an extended-release sleep agent in Canada. So we have high hopes for that. So that was launched towards the back end of last year.

And there were a number of other launches, including CeraVe, which is off to a very strong start. And then looking into 2012, we just launched Colesevelam, which is known as [Lidalis] in Canada, which is WelChol in the US, in the cholesterol modulating market. And given that most of the other cholesterol agents are now off-patent and not promoted, there is actually a void in the market for a promoted cholesterol agent. So again, it is one that we have pretty high expectations in terms of market potential. So we will see that roll out over the course of the next few months.

Gary Nachman - *Susquehanna Financial - Analyst*

Okay. So order of my magnitude in 2012, is it tens of millions from new product launches in Canada? Could you sort of bracket it for us a little bit?

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Rajiv De Silva - *Valeant Pharmaceuticals International, Inc. - President, COO of Specialty Pharmaceuticals*

In Canada, as you know, most launches tend to ramp up a little bit slower than in the US, because you initially launch with private reimbursement, which is only a fraction of the market. And the provincial reimbursements tend to kick in over a period of time, usually 18 to 24 months. So you are talking about tens of millions for 2012, and hopefully growing much more substantially in 2013.

Gary Nachman - *Susquehanna Financial - Analyst*

Okay. That's helpful. Thanks.

Operator

(Operator Instructions) David Amsellem, Piper Jaffray.

David Amsellem - *Piper Jaffray - Analyst*

Start with a question about your Latin American and European businesses. Can you tell us -- just remind us how many generic launches you're planning for for 2012 in each of those broader geographies?

And then on the generic pricing landscape in some of the newer geographies that you've acquired your way into, like South Africa and Russia and markets in Southeast Asia, can you talk about the pricing landscape there and how we should think about those trending?

J. Michael Pearson - *Valeant Pharmaceuticals International, Inc. - Chairman, CEO*

Sure. So in terms of across all of Central and Eastern Europe, we have roughly 200 launches this year planned. Now that could be the same product launched in two countries; that would count as two. But they are obviously separate launches.

In Latin America, I think it is more like 10 to 15 launches. In Mexico and Brazil, probably right around 10 would be the numbers.

In terms of the new countries that we've picked up, new territories, I have talked about the CIS from a pricing standpoint, where we are still able to enjoy significant pricing increases year on year. Very little, less than 5% of our business in Russia is reimbursed. So it is all going direct to the patient, and therefore, there is no pricing controls.

Similarly in South Africa and Asia, which we are just getting familiar with, again, the pricing pressures are a little bit less. I think the currency is going to be more the big issue next year in terms of what the currency does in terms of our business.

David Amsellem - *Piper Jaffray - Analyst*

Okay. And just a very quick follow-up on 108, just a follow-up to David's question on the product. When will we see data at a medical meeting? And what do you think are the gating factors to an NDA? And I guess -- you listed some other Derm pipeline products, I think 118 and 107. Any update on timelines for data and filings on those?

J. Michael Pearson - *Valeant Pharmaceuticals International, Inc. - Chairman, CEO*

We've decided as a Company not to give a lot of specifics on our pipeline. We enjoyed giving a lot of specifics on Retigabine, and don't want to enjoy the experience again. So that is how we are approaching our pipeline.

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In terms of 108, we are still -- we are working with some pretty distinguished medical journals, and probably will have the data disseminated by them rather than us internally as a starting point.

David Amsellem - *Piper Jaffray - Analyst*

Okay. Thanks, Mike.

Operator

Chris Schott, JPMorgan.

Chris Schott - *JPMorgan - Analyst*

First question was on the 80% gross margin comment. Could you just give us a little bit more color on how far out is that target? And is that something you think you could achieve with your current portfolio, or really should we think about future acquisitions helping that mix?

J. Michael Pearson - *Valeant Pharmaceuticals International, Inc. - Chairman, CEO*

The comment was made with respect to our current portfolio. To the extent that we make more acquisitions, that could help or hurt that number. So that would be our plan with our current portfolio. We will make significant progress this year, but we are not going to commit to a specific timeframe.

Chris Schott - *JPMorgan - Analyst*

Okay. And then based on the fourth-quarter results, you are at a little bit over an $800 million run rate for US Neuro and Other. Can you just remind us again what drives this kind of $75 million to $125 million decline in revenues in that segment for 2012?

Rajiv De Silva - *Valeant Pharmaceuticals International, Inc. - President, COO of Specialty Pharmaceuticals*

Yes, so for Neuro and Other, I think as you might recall, we have talked about a few different products that have new and strong generic competition, so that is what basically drives the decline going into 2012. One is Wellbutrin. I mean, it continues to have a pretty strong and aggressive price (inaudible) generic competition.

We have a new generic for one [ungenericized] strength of Cardizem CD, which is the 360-milligram CD gram strength, going into the new year, as well as a couple of smaller ones, like Ultram ER and Ancobon. So it is basically generic pressure that is driving the decline.

I think the good news for us is over time, the Neuro and Other business becomes a smaller and smaller component of our business. It is likely to be around 20% for 2012. And products like Wellbutrin also continue to become less and less relevant. Wellbutrin itself will likely be less than 4% of our overall revenues in 2012.

Chris Schott - *JPMorgan - Analyst*

Okay. The final question here, just you've had over the last year two hostile bids that you've put out there, terms haven't worked out, you've walked away from. Is there any hesitation at this point to continue to pursue hostile deals, or is that still an avenue that you would be kind of willing to entertain, or you think you could have success with?

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J. Michael Pearson - *Valeant Pharmaceuticals International, Inc. - Chairman, CEO*

First of all, the way we define success both of them were successful, because we remained disciplined, and if we cannot get assets at prices that create significant value for our shareholders, it is better not to do them. And in both cases, we didn't spend a lot of time. We were in and we were out, and we were able to deploy the cash elsewhere in other acquisitions that we think were quite valuable for shareholders.

So no, we don't rule out hostiles in the future. If we think that we have a chance of getting the company at what we think is a fair price, we will take that approach. But that is not our focus. We did -- I think we had 11 acquisitions last year, and we have one failed in terms of failure to complete hostile. So maybe 2012 will be the same.

Chris Schott - *JPMorgan - Analyst*

Great. Thanks very much.

Operator

Corey Davis, Jefferies.

Corey Davis - *Jefferies - Analyst*

When you gave your 2012 guidance in January, I think you said you expected Q1 to be up sequentially over Q4. But now that Q4 did so well, is that still the case, and for both revenue and EPS? And then the same question on the Derm division, with the strong 4, do you expect that to climb sequentially into Q1?

J. Michael Pearson - *Valeant Pharmaceuticals International, Inc. - Chairman, CEO*

The second part of the question, Corey? Was it to do with Derm?

Corey Davis - *Jefferies - Analyst*

Just the same question on Derm. Should that be up sequentially in Q1 over Q4?

J. Michael Pearson - *Valeant Pharmaceuticals International, Inc. - Chairman, CEO*

I think the answer to both questions are yes.

Corey Davis - *Jefferies - Analyst*

Easy enough. And then the second question would be on slide seven, I see that the organic revenue growth of 9% beat 8%. But on the EPS line, if you hadn't done any acquisitions, do you still think you would have beat your CA 2.25 to $2.50 guidance, and give us some idea of the magnitude of that?

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J. Michael Pearson - *Valeant Pharmaceuticals International, Inc. - Chairman, CEO*

We actually need to calculate that for budget purposes and compensation purposes, so the answer would be yes. But I don't have a specific number for you.

Corey Davis - *Jefferies - Analyst*

Okay, good enough. That's all I had. Thank you.

Operator

Annabel Samimy, Stifel Nicolaus.

Annabel Samimy - *Stifel Nicolaus - Analyst*

I just wanted to understand some of your future acquisition targets. It looks like you are moving into a couple new regions, obviously, South Africa and Southeast Asia. Is that a key goal that you see some interesting dynamics there? Or was it kind of ancillary to what you got in building out the Australian business of iNova? And then on the ophthalmology, what kind of infrastructure do you need to build out the critical mass in ophthalmology?

J. Michael Pearson - *Valeant Pharmaceuticals International, Inc. - Chairman, CEO*

In terms of the iNova deal, it was, in our minds, one of our best deals, because, in a sense, the synergies that we achieved in Australia helped pay for it, but then we picked up two markets that we're very interested in. Southeast Asia is one that for a while we have been looking at and we think -- and again, Southeast Asia for us does not include China. We think a lot of big pharma companies are trying to really work hard to get into China, and that is highly competitive. So it is the other countries in Southeast Asia that we have an interest in, at least for the foreseeable future. And so we think that is a great market. It is growing, and it is one that is populated by a bunch of smaller, privately-owned companies. And we think it fits our strategy perfectly.

South Africa was not on our radar screen, to be honest. But as we've gotten to know it over the last couple months, we actually like that market a lot as well. And so we are now committed to staying in South Africa and expanding our business there.

In terms of ophthalmology, could you repeat that question?

Annabel Samimy - *Stifel Nicolaus - Analyst*

What do you need to do in ophthalmology to build critical mass there? It seems more like an R&D play.

J. Michael Pearson - *Valeant Pharmaceuticals International, Inc. - Chairman, CEO*

No, it is not an R&D play. I think it will be similar to Derm, where it will be a combination of development of products that we can launch, like we have with CeraVe. And we launched [Takenia]. So yes, there'll be an R&D component, but we need to supplement it. We don't have the patience to wait to just grow it organically, so we will continue to look for acquisitions in that space as well.

Annabel Samimy - *Stifel Nicolaus - Analyst*

Thank you.

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Operator

Michael Tong, Wells Fargo Securities.

Michael Tong - *Wells Fargo Securities - Analyst*

This one is for Howard, fairly straightforward. I noticed your other income line was a little bit higher than usual. Just wondering if you can provide some better clarity on the source of the other income and how we should think about that going forward.

Howard Schiller - *Valeant Pharmaceuticals International, Inc. - EVP, CFO*

The big component there is the FX hedge that we talked about from iNova. And that is a line that is hard to predict going forward, given the components of it.

Michael Tong - *Wells Fargo Securities - Analyst*

Thanks.

Operator

Marc Goodman, UBS.

Marc Goodman - *UBS - Analyst*

First, in the past, you all have talked about Mexico as being an area where launches have slowed down because of approvals; it is really not your issue, it is a market issue. I was just curious if that was still going on in Mexico.

J. Michael Pearson - *Valeant Pharmaceuticals International, Inc. - Chairman, CEO*

It is still going on, but these things -- so there is a backlog, and the agency. So if all of our products were approved, we'd have a lot more launches than we do. But that is -- many of the products that we will be launching this year have been sort of sitting around in the agency for 18, 24 months. But we feel quite comfortable we will get the approvals this year for those. So it is a problem, but it is a problem that enough time has spanned that we are now starting to get products approved.

Marc Goodman - *UBS - Analyst*

So the guidance that you provided, the 10 to 15, that includes those. So a lot of that was delayed from this past year?

J. Michael Pearson - *Valeant Pharmaceuticals International, Inc. - Chairman, CEO*

Yes, in many cases, from two years ago.

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Marc Goodman - *UBS - Analyst*

And then another question. I forgot a couple of quarters ago we had talked about inventory stocking, destocking, inventories have been moving around quite a bit. Could you just give us an update on how it ended up fourth quarter, third quarter?

J. Michael Pearson - *Valeant Pharmaceuticals International, Inc. - Chairman, CEO*

Which part of the business?

Marc Goodman - *UBS - Analyst*

Just in general, I remember, a quarter or two ago you had talked about inventory.

J. Michael Pearson - *Valeant Pharmaceuticals International, Inc. - Chairman, CEO*

Oh, yes. So in the US, what we talked about was that the distributors were moving from about four weeks down to about two weeks, for us, and actually I think for many companies in the industry. Some of the larger ones were already at two weeks, but they were starting to apply that to some of the smaller companies -- either that, or as we've grown bigger, we have hit that radar screen. That is now complete. So we don't expect any stocking -- destocking of anything this year.

Marc Goodman - *UBS - Analyst*

But there was some destocking in the fourth quarter. How much (multiple speakers)?

J. Michael Pearson - *Valeant Pharmaceuticals International, Inc. - Chairman, CEO*

Third and fourth quarter, maybe about a week for each.

Marc Goodman - *UBS - Analyst*

Thanks.

Operator

Lennox Gibbs, TD Securities.

Lennox Gibbs - *TD Securities - Analyst*

Just looking at p the Latin America and European cost of goods as a percentage of sales, 37% and 47%, respectively, can you update us on the key drivers behind -- they look like relatively high production costs? And also provide an update on the manufacturing consolidation in Brazil. I think what you previously said might begin to give us some relief in the first quarter this year.

J. Michael Pearson - *Valeant Pharmaceuticals International, Inc. - Chairman, CEO*

We said throughout this year -- I think, as you know, when we made these acquisitions, when we bought Sanitas, we picked up two new plants. We've picked up one plant in Serbia when we bought PharmaSwiss. And we bought a plant when we bought Emo-Farm a couple years ago in

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Poland. So we have far too many production facilities in Europe, and we are in the process of shutting some of those down, and some of that will happen this year.

Similarly, in Mexico and Brazil, we have multiple facilities that we don't need, and we are in the process of transferring products from one facility to another in order to allow us shut those down. So all of these are not going to happen in the first quarter, but they will happen over the course of the year. And that is why we believe we can start to move our COGS, our gross margins, towards the 80% level rather than where they are today.

Lennox Gibbs - *TD Securities - Analyst*

Okay. But the Brazilian facility in specific, which I think is kind of the legacy facility, is that one still on track to give us improvements in the first quarter? Is that --?

J. Michael Pearson - *Valeant Pharmaceuticals International, Inc. - Chairman, CEO*

No, it is not -- again, not first -- in Brazil, we had a legacy Valeant facility. And then when we bought Bunker, we picked up a facility. And then when we bought Delta, we picked up a facility.

The plan is to consolidate it all into one facility, which is the Delta facility, which was a brand-new facility. And by the end of this year, that will be fully complete. In terms of what quarter precisely the final transfer will be made, I'm not going to disclose that at this point.

Lennox Gibbs - *TD Securities - Analyst*

Thanks very much.

Operator

Bill Tanner, Lazard Capital Markets.

Bill Tanner - *Lazard Capital Markets - Analyst*

Mike, just a couple for you back on 108. I don't know if you did mention when you were going to have the pre-NDA meeting with the FDA. Care to comment on that? And then if you could handicap what you think the ability to file is going to be, and then timing as to that.

Rajiv De Silva - *Valeant Pharmaceuticals International, Inc. - President, COO of Specialty Pharmaceuticals*

On the question on the pre-NDA meeting, we expect to have that in the April timeframe. And we've already submitted a binder for the meeting with FDA. We are simply waiting for the meeting itself.

As Mike said, we are frankly not going to handicap the chances here and talk a lot of details. As we've said before, we are very encouraged by the results of the trial. This is the first topical product to have two positive Phase 3 trials. And we are anticipating a productive discussion with FDA on a filing sometime later this year.

Bill Tanner - *Lazard Capital Markets - Analyst*

Is it contemplated that the Company would disclose the results of the meeting in terms of filing or not?

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Rajiv De Silva - *Valeant Pharmaceuticals International, Inc. - President, COO of Specialty Pharmaceuticals*

As Mike said, we will disclose what we think we need to from a material standpoint, but we are not going to go into a lot of detail. And also, we are in quite a few discussions with some academic publications, given what we believe to be the quality of the results, and that will also guide how much information we give and what forum.

J. Michael Pearson - *Valeant Pharmaceuticals International, Inc. - Chairman, CEO*

Certainly if we have a bad meeting with the FDA and we can't file the product, we will let you know, but that is not our expectation.

Bill Tanner - *Lazard Capital Markets - Analyst*

Okay. Thank you.

Operator

Douglas Miehm, RBC Capital Markets.

Douglas Miehm - *RBC Capital Markets - Analyst*

A couple questions. Maybe first with respect to the generics that you are talking about right now, would those be in the Derm area or ophthalmology? And perhaps you could give us the size of the three that you're working on, total sales right now.

Rajiv De Silva - *Valeant Pharmaceuticals International, Inc. - President, COO of Specialty Pharmaceuticals*

So these are all in the topicals area, and we are not going to give a lot of guidance or details on what these products are, for obvious competitive reasons.

Given the skills that we have from a formulation standpoint in our Dow Pharmaceutical subsidiary, we have some very competitive skills in terms of both Paragraph IV types of filings, as well as ANDA filings. So we are pursuing three, at this point, Dermatology products, but we are not going to disclose the size of them.

But as Mike said, we also -- the same skills and techniques actually are applicable to the ophthalmology segment as well, and we would expect to look into those opportunities as well as the year progresses.

Douglas Miehm - *RBC Capital Markets - Analyst*

Okay. Next question just has to do with the recently-announced deal in the space between Genoma and Prestige. I was just wondering what you thought about that deal, Mike. And even before that happened, if it were something that you guys would look at, or would that type of deal have too much leverage in it?

J. Michael Pearson - *Valeant Pharmaceuticals International, Inc. - Chairman, CEO*

Doug, I'm sorry -- I'm not familiar enough with that deal to comment on it.

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Douglas Miehm - *RBC Capital Markets - Analyst*

Okay, good. Finally, just with respect to guidance, can you talk to us about what sort of threshold you are going to require to make changes to the guidance as it relates to acquisitions that you do in the future and the potential accretion on those?

J. Michael Pearson - *Valeant Pharmaceuticals International, Inc. - Chairman, CEO*

Yes, we tried to be clear in our press release that we issued guidance in early January, and we chose not to update it for today. So our guidance does not include any acquisitions we've made already this year. And so I think -- I'm sure at the end of the first quarter, we will have some thoughts on guidance.

Douglas Miehm - *RBC Capital Markets - Analyst*

Okay, perfect. Thanks very much.

Operator

Cosme Ordonez, GMP Securities.

Cosme Ordonez - *GMP Securities - Analyst*

Given the [reasoning] on the performance of the US Neurology division, is this an area that will still be a focus for Valeant in the long-term? And what are the chances you will divest some of the assets in this division? And also, is this -- the 10% organic growth sustainable for fiscal 2012?

J. Michael Pearson - *Valeant Pharmaceuticals International, Inc. - Chairman, CEO*

I'm sorry. I missed the last part of your question.

Cosme Ordonez - *GMP Securities - Analyst*

Organic growth, 10%, is this sustainable for fiscal '12?

J. Michael Pearson - *Valeant Pharmaceuticals International, Inc. - Chairman, CEO*

Okay. Neuro is called Neuro and Other. So we have some Neuro parts in there, and the bulk of that business is Neuro, but there is other products in there as well. And we will always have tail products; as we make acquisitions, there will always be some tail products that come with them. So my guess is we will always have this division, but it will never be sort of a growth business, per se, because of its very nature. What it will do is continue to generate very nice cash flows that we can use to deploy -- to buy assets that we do think we can grow. So that is the focus there.

n terms of selling, we are always interested in selling that we believe we can get a price that -- if someone is willing to pay more than we think the asset is worth to us. In other words, if they could do something with the asset that we can't do, we will make sales. And so, yes, we are in discussions on selling some of those products at this point in time.

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In terms of organic growth, we have taken the counsel of many of you, and we are not giving guidance on organic growth this year. As we commented this time, we continue to think it is an important number for you to focus on, and we will continue to report our organic growth on a quarter-by-quarter basis. But we are not going to give any guidance in terms of what it will be this year.

Cosme Ordonez - *GMP Securities - Analyst*

Thank you very much.

Operator

Gregg Gilbert, Bank of America Merrill Lynch.

Gregg Gilbert - *BofA Merrill Lynch - Analyst*

Just one follow-up for Rajiv. Other companies with derm products have been increasing payor pressures and a lot of volatility in gross to net. Is that specific to them having larger products, or are there other differences between them and you that make sense to understand?

Rajiv De Silva - *Valeant Pharmaceuticals International, Inc. - President, COO of Specialty Pharmaceuticals*

A lot of the gross to net changes that we see going on have related to, I guess, two things. One is obviously if your managed care position on the (inaudible) changes, then that sometimes leads to it. And we've seen some of that because we actually got improved positions for many of our products in Tier 2, which do result in higher gross nets, but obviously, that also results in higher volume over time.

The second phenomenon is the Corporate Assistance Programs, which have become endemic in this segment of the industry. And we have seen greater utilization on this Corporate -- CAP programs as well. On the other hand, I think unlike others, we have actually taken some steps to make our programs more economically sustainable for the longer term. In fact, I mentioned this on the call with (inaudible) Acanya, we made some changes to the program early in the year, which actually put a floor on the types of rebates and givebacks we have on the product. And frankly, for a very small correction, the volume growth is back to where it was before.

So we believe that the programs that we have are economically sustainable for us. Obviously over time, as we get a better handle on managed-care coverage and that stabilizes and we get more pull-through, we will have to rely less on the Corporate Assistance Programs.

Gregg Gilbert - *BofA Merrill Lynch - Analyst*

With that, I think we've concluded the call. We thank all of you for joining us, and we'll look forward to talking to you at the end of the next quarter.

Operator

This concludes today's conference call. You may now disconnect.

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