

Allergan plc  
Form 10-Q  
August 03, 2018

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 June 30, 2018

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
001-36887	Warner Chilcott Limited	Bermuda	98-0496358

Edgar Filing: Allergan plc - Form 10-Q

Canon'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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Allergan plc	Large accelerated filer Non-accelerated filer (Do not check if a smaller reporting company) Emerging growth company	Accelerated filer Smaller reporting company
Warner Chilcott Limited	Large accelerated filer Non-accelerated filer (Do not check if a smaller reporting company) Emerging growth company	Accelerated filer Smaller reporting company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 July 30, 2018: 339,444,422. There is no trading market for securities of Warner Chilcott Limited, all of which are indirectly wholly owned by Allergan plc.

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 JUNE 30, 2018

	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 June 30, 2018 and December 31, 2017</u>	3
<u>Consolidated Statements of Operations of Allergan plc for the three and six months ended June 30, 2018 and June 30, 2017</u>	4
<u>Consolidated Statements of Comprehensive (Loss) / Income of Allergan plc for the three and six months ended June 30, 2018 and June 30, 2017</u>	5
<u>Consolidated Statements of Cash Flows of Allergan plc for the six months ended June 30, 2018 and June 30, 2017</u>	6
<u>Consolidated Balance Sheets of Warner Chilcott Limited as of June 30, 2018 and December 31, 2017</u>	7
<u>Consolidated Statements of Operations of Warner Chilcott Limited for the three and six months ended June 30, 2018 and June 30, 2017</u>	8
<u>Consolidated Statements of Comprehensive (Loss) / Income of Warner Chilcott Limited for the three and six months ended June 30, 2018 and June 30, 2017</u>	9
<u>Consolidated Statements of Cash Flows of Warner Chilcott Limited for the six months ended June 30, 2018 and June 30, 2017</u>	10
<u>Notes to the Consolidated Financial Statements</u>	11
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	67
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	95
Item 4. <u>Controls and Procedures</u>	97
<b><u>PART II. OTHER INFORMATION</u></b>	98
Item 1. <u>Legal Proceedings</u>	98
Item 1A. <u>Risk Factors</u>	98
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	98
Item 6. <u>Exhibits</u>	98
<u>Signatures</u>	100

## PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS  
ALLERGAN PLC

## CONSOLIDATED BALANCE SHEETS

(Unaudited; in millions, except par value)

	June 30, 2018	December 31, 2017
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$1,674.7	\$ 1,817.2
Marketable securities	21.5	4,632.1
Accounts receivable, net	2,760.8	2,899.0
Inventories	922.5	904.5
Prepaid expenses and other current assets	724.2	1,123.9
Total current assets	6,103.7	11,376.7
Property, plant and equipment, net	1,761.4	1,785.4
Investments and other assets	297.9	267.9
Non current assets held for sale	180.4	81.6
Deferred tax assets	899.9	319.1
Product rights and other intangibles	49,928.3	54,648.3
Goodwill	49,687.2	49,862.9
Total assets	\$108,858.8	\$ 118,341.9
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$4,683.8	\$ 5,541.4
Income taxes payable	93.0	74.9
Current portion of long-term debt and capital leases	1,348.5	4,231.8
Total current liabilities	6,125.3	9,848.1
Long-term debt and capital leases	24,002.0	25,843.5
Other long-term liabilities	753.4	886.9
Other taxes payable	1,576.6	1,573.9
Deferred tax liabilities	5,137.5	6,352.4
Total liabilities	37,594.8	44,504.8
Commitments and contingencies (Refer to Note 19)		
Equity:		
Preferred shares, \$0.0001 par value per share, zero and 5.1 million shares authorized, issued and outstanding, respectively	\$-	\$ 4,929.7
Ordinary shares; \$0.0001 par value per share; 1,000.0 million shares authorized, 339.3 million and 330.2 million shares issued and outstanding, respectively	-	-
Additional paid-in capital	57,567.7	54,013.5
Retained earnings	12,082.9	12,957.2

Edgar Filing: Allergan plc - Form 10-Q

Accumulated other comprehensive income	1,592.9	1,920.7
Total shareholders' equity	71,243.5	73,821.1
Noncontrolling interest	20.5	16.0
Total equity	71,264.0	73,837.1
Total liabilities and equity	\$ 108,858.8	\$ 118,341.9

See accompanying Notes to the Consolidated Financial Statements.

## ALLERGAN PLC

## CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited; in millions, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net revenues	\$4,124.2	\$4,007.4	\$7,796.3	\$7,580.3
Operating expenses:				
Cost of sales (excludes amortization and impairment of acquired intangibles including product rights)	481.8	550.2	1,004.6	1,000.6
Research and development	689.2	489.4	1,163.9	1,249.3
Selling and marketing	853.4	935.2	1,653.4	1,804.3
General and administrative	334.1	459.8	630.0	775.9
Amortization	1,697.1	1,757.9	3,394.7	3,493.9
In-process research and development impairments	276.0	703.3	798.0	1,043.3
Asset sales and impairments, net	259.6	14.0	272.7	21.4
Total operating expenses	4,591.2	4,909.8	8,917.3	9,388.7
Operating (loss)	(467.0 )	(902.4 )	(1,121.0 )	(1,808.4 )
Interest income	6.3	16.6	23.6	41.9
Interest (expense)	(230.0 )	(277.4 )	(480.6 )	(567.1 )
Other income / (expense), net	215.4	(133.5 )	136.6	(2,056.3)
Total other (expense), net	(8.3 )	(394.3 )	(320.4 )	(2,581.5)
(Loss) before income taxes and noncontrolling interest	(475.3 )	(1,296.7)	(1,441.4)	(4,389.9)
(Benefit) for income taxes	(5.2 )	(581.2 )	(687.4 )	(1,113.3)
Net (loss) from continuing operations, net of tax	(470.1 )	(715.5 )	(754.0 )	(3,276.6)
(Loss) from discontinued operations, net of tax	-	(8.4 )	-	(11.5 )
Net (loss)	(470.1 )	(723.9 )	(754.0 )	(3,288.1)
(Income) attributable to noncontrolling interest	(2.4 )	(2.0 )	(4.6 )	(3.0 )
Net (loss) attributable to shareholders	(472.5 )	(725.9 )	(758.6 )	(3,291.1)
Dividends on preferred shares	-	69.6	46.4	139.2
Net (loss) attributable to ordinary shareholders	\$(472.5 )	\$(795.5 )	\$(805.0 )	\$(3,430.3)
(Loss) per share attributable to ordinary shareholders - basic:				
Continuing operations	\$(1.39 )	\$(2.35 )	\$(2.39 )	\$(10.20 )
Discontinued operations	-	(0.02 )	-	(0.03 )
Net (loss) per share - basic	\$(1.39 )	\$(2.37 )	\$(2.39 )	\$(10.23 )
(Loss) per share attributable to ordinary shareholders - diluted:				
Continuing operations	\$(1.39 )	\$(2.35 )	\$(2.39 )	\$(10.20 )
Discontinued operations	-	(0.02 )	-	(0.03 )
Net (loss) per share - diluted	\$(1.39 )	\$(2.37 )	\$(2.39 )	\$(10.23 )
Dividends per ordinary share	\$0.72	\$0.70	\$1.44	\$1.40

Edgar Filing: Allergan plc - Form 10-Q

Weighted average shares outstanding:

Basic	339.1	335.2	336.9	335.2
Diluted	339.1	335.2	336.9	335.2

See accompanying Notes to the Consolidated Financial Statements.



## ALLERGAN PLC

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) / INCOME

(Unaudited; in millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net (loss)	\$(470.1)	\$(723.9)	\$(754.0 )	\$(3,288.1)
Other comprehensive (loss) / income				
Foreign currency translation (losses) / gains	(448.6)	697.8	(264.8 )	860.4
Net impact of other-than-temporary loss on investment				
in Teva securities	-	-	-	1,599.4
Unrealized gains, net of tax	-	205.5	-	203.6
Impact of ASU No. 2016-01, net of tax	-	-	(63.0 )	-
Total other comprehensive (loss) / income, net of tax	(448.6)	903.3	(327.8 )	2,663.4
Comprehensive (loss) / income	(918.7)	179.4	(1,081.8)	(624.7 )
Comprehensive (income) attributable to noncontrolling				
interest	(2.4 )	(2.0 )	(4.6 )	(3.0 )
Comprehensive (loss) / income attributable to ordinary				
shareholders	\$(921.1)	\$177.4	\$(1,086.4)	\$(627.7 )

See accompanying Notes to the Consolidated Financial Statements.

## ALLERGAN PLC

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited; in millions)

	Six Months Ended	
	June 30,	
	2018	2017
<b>Cash Flows From Operating Activities:</b>		
Net (loss)	\$(754.0 )	\$(3,288.1 )
<b>Reconciliation to net cash provided by operating activities:</b>		
Depreciation	105.2	81.2
Amortization	3,394.7	3,493.9
Provision for inventory reserve	45.4	48.7
Share-based compensation	127.4	148.5
Deferred income tax benefit	(1,359.6)	(1,478.8 )
In-process research and development impairments	798.0	1,043.3
Loss on asset sales and impairments, net	272.7	21.4
Net income impact of other-than-temporary loss on investment in Teva securities	-	1,978.0
Gain on sale of Teva securities, net	(60.9 )	-
Amortization of inventory step-up	-	87.8
Gain on sale of business	(53.0 )	-
Non-cash extinguishment of debt	4.0	(8.2 )
Cash charge related to extinguishment of debt	(13.1 )	170.5
Amortization of deferred financing costs	11.9	13.2
Contingent consideration adjustments, including accretion	(101.8 )	15.2
Other, net	(0.3 )	(22.6 )
<b>Changes in assets and liabilities (net of effects of acquisitions):</b>		
Decrease / (increase) in accounts receivable, net	90.3	(139.0 )
Decrease / (increase) in inventories	(113.3 )	(95.1 )
Decrease / (increase) in prepaid expenses and other current assets	39.3	10.5
Increase / (decrease) in accounts payable and accrued expenses	(40.4 )	(207.5 )
Increase / (decrease) in income and other taxes payable	365.4	673.7
Increase / (decrease) in other assets and liabilities	(59.4 )	(23.5 )
Net cash provided by operating activities	2,698.5	2,523.1
<b>Cash Flows From Investing Activities:</b>		
Additions to property, plant and equipment	(106.5 )	(137.2 )
Additions to product rights and other intangibles	-	(586.3 )
Additions to investments	(1,455.9)	(6,787.9 )
Proceeds from sale of investments and other assets	5,651.3	13,197.5
Payments to settle Teva related matters	(466.0 )	-
Proceeds from sales of property, plant and equipment	11.5	4.3
Acquisitions of businesses, net of cash acquired	-	(5,290.4 )
Net cash provided by investing activities	3,634.4	400.0
<b>Cash Flows From Financing Activities:</b>		
Proceeds from borrowings of long-term indebtedness, including credit facility	709.0	3,023.0

Edgar Filing: Allergan plc - Form 10-Q

Proceeds from forward sale of Teva securities	465.5	-
Debt issuance and other financing costs	-	(17.5 )
Payments on debt, including capital lease obligations and credit facility	(5,366.8)	(5,579.2 )
Cash charge related to extinguishment of debt	13.1	(170.5 )
Proceeds from stock plans	69.2	124.7
Payments of contingent consideration and other financing	(10.6 )	(505.1 )
Payments to settle Teva related matters	(234.0 )	-
Repurchase of ordinary shares	(1,572.1)	(35.2 )
Dividends paid	(563.7 )	(611.9 )
Net cash (used in) financing activities	(6,490.4)	(3,771.7 )
Effect of currency exchange rate changes on cash and cash equivalents	15.0	11.5
Net (decrease) in cash and cash equivalents	(142.5 )	(837.1 )
Cash and cash equivalents at beginning of period	1,817.2	1,724.0
Cash and cash equivalents at end of period	\$1,674.7	\$886.9
<b>Supplemental Disclosures of Cash Flow Information</b>		
Cash paid during the year for:		