



ANALYST QUICK NOTES

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Allergan plc. (NGS: AGN: BUY)

Target Price: \$260

David Toung

1/9/2017

- AGN is +14.6% since Dec. 5, when we last discussed this stock in a Quick Note.
 - We think the stock has moved on improving investor sentiment and positive guidance for 2017.
 - Here are key catalysts we see:
 - 2017 guidance is conservative in our opinion and we see upside from strong sales execution and contributions from M&A.
 - The LifeCell acquisition can contribute close to \$1 billion in additional revenue in two years, as its products complement Allergan's existing aesthetics portfolio.
 - Strong execution by sales team can drive higher sales for new products in CNS, gastrointestinal and women's health categories.
 - The company issued new 2017 guidance last week, saying it expects to deliver double-digit adjusted EPS growth on mid-single-digit revenue growth. It also said it would hold growth in R&D and SG&A spending to below revenue. We like this part of guidance as it shows management's commitment to deliver earnings leverage.
 - Why we like the LifeCell acquisition:
 - The earnings contribution from the LifeCell acquisition are not currently included in guidance.
 - With Allergan's management and deeper resources, we think LifeCell could double its \$450 million annual sales run-rate, on its way to exceed \$1 billion. LifeCell products complement Allergan's existing aesthetics portfolio that includes Botox, Kybella and Dermal Fillers.
 - The company is presenting at JP Morgan Health Care Conference today, so we will pay close attention to commentary from management.
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