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## ANALYST QUICK NOTES

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**Allergan plc. (NYSE: AGN: BUY)**

**Target Price: \$280**

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**3/20/2017**

### Overview

- AGN -4.8% since Feb. 15, underperforming the U.S. pharma sector and broader market. We think this is due to profit-taking following a big run-up after the November elections (+27.3% through mid-February) and negative reactions to two recent acquisitions geared towards both short-term and long-term growth. We think AGN is a good investment on any pullbacks.
- First, Allergan plans to acquire Zeltiq, a leader in medical aesthetics and body contouring. Zeltiq generated \$354 million in sales in 2016, has the potential to grow 17%-20% in 2017 and has gross margin of 70%. The deal will be immediately accretive. Zeltiq complements Allergan's already strong aesthetics portfolio that includes Botox, dermal fillers for facial contouring and LifeCell for plastic surgery and regenerative medicine.
- Allergan also agreed to collaboration with Editas, a company that is developing leading-edge genome editing programs to fight diseases. Allergan will have access to the drugs being developed as treatment for LCA10, a retinal degenerative disease that appears in childhood and leads to blindness. Through gene editing, the Editas program has potential to reverse the retinal degeneration in the photo-receptor cells that leads to blindness if not treated.
- Though this program is pre-clinical, this would complement Allergan's focus on eye care for such conditions as dry eye, glaucoma and infection.
- We also like the strong prescription trends through end of February for key drugs. Notably, we see continued strength in Restasis, which treats dry-eye, despite the entry of a competitor in late 2016. Restasis is Allergan's second-largest product by revenue. We also see higher volumes for Vraylar, Viberzi and Linzess, three drugs that were contributors to sales growth in 4Q16.
- Further, Allergan filed an application with FDA for Vraylar for the additional indication of maintenance treatment of schizophrenia, based on long-term data about its efficacy and safety. Currently, Vraylar is approved for schizophrenia and bi-polar disease. Positive long-term data means patients can stay on Vraylar for longer period.

- New today is that Allergan has received approval from the U.S. Food and Drug Administration (FDA) to market JUVÉDERM VOLLURE™ XC, for the correction of moderate to severe facial wrinkles and folds. Juviderm is part of Allergan's dermal fillers portfolio that had \$450 million sales in 2016. This additional indication is a boost to sales.
  - In summary, we like how Allergan is using its cash to fill its pipeline with growth assets for the short and the long term.
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