

ELAN CORP PLC
Form SC TO-C
March 06, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE TO
TENDER OFFER STATEMENT UNDER SECTION 14(d)(1)
OR 13(e)(1) OF THE SECURITIES EXCHANGE ACT OF 1934

ELAN CORPORATION, PLC

(Name of Subject Company (Issuer))

RP MANAGEMENT, LLC

(Names of Filing Persons (Offeror))sec.gov

Ordinary Shares, par value €0.05 each

(Title of Class of Securities)

G29539106

(CUSIP Number of Class of Securities)

American Depositary Shares, each representing one Ordinary Share

(Title of Class of Securities)

284131208

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(CUSIP Number of Class of Securities)

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(Name, address and telephone number of person authorized

to receive notices and communications on behalf of filing persons)

With a copy to:

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CALCULATION OF FILING FEE

Transaction Valuation
Not Applicable*

Amount of Filing Fee
Not Applicable*

* A filing fee is not required in connection with this filing as it relates solely to preliminary communications made before the commencement of a tender offer.

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Check the box if any part of the fee is offset as provided by Rule 0-11(a)(2) and identify the filing with which the offsetting fee was previously paid. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

Amount Previously Paid: Not applicable
Form or Registration No.: Not applicable

Filing Party: Not applicable
Date Filed: Not applicable

Check the box if the filing relates solely to preliminary communications made before the commencement of a tender offer. Check the appropriate boxes below to designate any transactions to which the statement relates:

- third-party tender offer subject to Rule 14d-1.
- issuer tender offer subject to Rule 13e-4.
- going-private transaction subject to Rule 13e-3.
- amendment to Schedule 13D under Rule 13d-2.

Check the following box if the filing is a final amendment reporting the results of the tender offer:

If applicable, check the appropriate box(es) below to designate the appropriate rule provision(s) relied upon:

- Rule 13e-4(i) (Cross-Border Issuer Tender Offer)
- Rule 14d-1(d) (Cross-Border Third-Party Tender Offer)

On March 6, 2013, RP Management, LLC made the following investor presentation available:

Royalty Pharma Presentation Regarding Elan Proposal
6 March 2013

*
*
*
*
*
*

RP Management, LLC, founded in 1996, is the investment manager to entities investing in royalty interests in marketed and late stage biopharmaceutical products (these entities, together with predecessor entities, Royalty Pharma)

Royalty Pharma has a 17 year track record of working with research institutions, companies, and inventors to monetize future royalties on leading biopharmaceutical drugs

Provides capital to pharma & biotech companies to fund late-stage clinical trials in exchange for royalty interests

Portfolio of royalty interests in 37 products

Royalty Pharma can act quickly to make a formal offer

1

About Royalty Pharma

Company Overview

Financial Strength

Product Leadership

Portfolio includes royalties on 8 of the top 20 selling pharma and biotech

drugs

by

worldwide

sales

expected

by

2016 ,

and

on

9

products with current sales over \$1bn

Leading pharmaceutical and biotech marketers

Familiarity with multiple sclerosis via Tecfidera (BG-12) interest

2012A

Revenue:

\$1.39bn²

2012A

EBITDA:

\$1.35bn²

Investment grade debt rating

2012A Revenue by Therapeutic Area²

(%)

Based

on

EvaluatePharma

estimates

Derived

from

unaudited

financial

results

of

Royalty

Pharma

Investments,

an

Irish

Unit

Trust,

and

affiliates

Diversified Portfolio

Royalty Pharma product portfolio is well-diversified across

biopharmaceutical products and therapeutic areas

Portfolio consists of stable and long-dated assets

1

1
2

Chronology
of
Events
2
September 2011:
Sale of Elan Drug Technologies (EDT) to Alkermes
Summer
2012:
Post-bapineuzumab
clinical
failure
and
announcement
of
spin-off
of
Prothena,
Royalty
Pharma

developed
an
interest
in
Elan
/
Tysabri
October

December
2012:

Royalty
Pharma
had
in-person
meeting
and
several
subsequent
communications
with

Elan discussing ways in which Elan and Royalty Pharma might be able to work together, including Royalty Pharma's
interest in potentially acquiring Elan

6
February
2013:

Biogen
and
Elan
announced
restructuring
of
their
interests
in
Tysabri;
Elan
announced
its
acquisition strategy

18
February
2013:

Call
to
Elan
Chairman
requesting
an
in-person

meeting
to
discuss
the
Proposal
20
February
2013:
In-person
meeting
with
Elan
Chairman;
offer
letter
containing
the
Proposal
delivered
to
Elan
Chairman
22 February 2013:

Elan reiterates acquisition strategy, announces \$1bn share buy-back program and debt refinancing; Elan fails to disclose it received Royalty Pharma's \$11 per Share Proposal

25
February
2013:
Royalty
Pharma
announces
the
Proposal
to
acquire
Elan
for
\$11
per
Share
/
ADS;
Elan
confirms
receipt
of
Proposal
and
characterizes
Proposal

as
highly
conditional
Informally rejected
4
March
2013:
Elan
announces
plan
to
distribute
20%
of
Tysabri
Royalty
through
dividends
Today:
Royalty
Pharma
is
meeting
Elan
shareholders
to
move
towards
a
recommended
transaction
Terms defined in Royalty Pharma's 6-Mar-2013 Rule 2.4 announcement have the same meanings herein
1
1

3

Full value on the table
today*

Limited, easily satisfied
pre-conditions

Ready to move quickly

Summary of Royalty Pharma Proposal

Elan board is

preventing progress

\$11 in cash for each Elan Share and Elan ADS

12.5% premium to Current Enterprise Value

EV and P/E multiples well above relevant sector multiples

Elan

shareholders

have

a

clear
choice:
full
value
in
cash
today
OR

assume risk associated with Elan acquisition strategy*

Pre-conditions are limited and typical for a transaction of this nature

We expect to complete due diligence in 20 days

J.P. Morgan, BofA Merrill Lynch and Groton acting as M&A advisors

\$1.1+bn of cash on hand plus highly confident

letter from BofA

Merrill Lynch and J.P. Morgan; banks are prepared to provide

committed financing upon completion of diligence

Board of Elan not engaging with Royalty Pharma

Elan Shareholders should urge Elan Board to grant diligence access

* Denotes a Royalty Pharma opinion

(\$ in millions, except per share data)

Pre-Approach Price ¹

Proposal Price

Elan Share Price

\$10.35

\$11.00

Premium over Pre-Approach Price

6.3%

Fully Diluted Shares Outstanding

601.6

602.0

Market Capitalization

\$6,227

\$6,622

(Less): Cash & Equivalents (31-Dec-12)

(434)

(434)

(Less): Tysabri Upfront Payment from Biogen

(3,249)

(3,249)

(Less): Sale of Alkermes shares (6-Feb-13)

(170)

(170)

(Less): Value of Prothena Stake

(19)

(19)

Plus: Liabilities

210

210

Plus: Long-Term Debt (31-Dec-12)

600

600

Fully-Diluted Enterprise Value

\$3,165

\$3,561

Premium over Enterprise Value

12.5%

4

Premium to Enterprise Value is the most relevant metric given large cash balance*

\$11 Proposal is a 12.5% Premium on Non-Cash Assets

Note:

Unless

the

context

otherwise

permits,

terms

used

here

have

same

meaning

as

Appendix

VI

of

Royalty

Pharma s

announcement

on

6-Mar-2013

* Denotes a Royalty Pharma opinion

1

Closing price on 15-Feb-2013

2

Calculation of cash and equivalents includes \$2.6m in restricted cash

3

Janssen AI Funding Commitment as at 31-Dec-2012, Restructuring accruals, Accrued transaction costs, Cambridge Collaborat

Excluding net cash, the Tysabri royalty is the only meaningful asset remaining at Elan*

Net

Cash

2

3

Royalty Pharma Proposal is a Substantial Premium to
Relevant Sector Multiples

5

2015 P / E

Multiple

2015 EV /

EBITDA

Multiple

2015 EV /

Revenue

Multiple

250%

for Specialty Pharma Companies

(91%, as adjusted)

170%

for Large Cap Biotech Companies

(48%, as adjusted)

We're offering a premium to the sector multiples of:

105%

for Specialty Pharma Companies

34%

for Large Cap Biotech Companies

238%

for Specialty Pharma Companies

72%

for Large Cap Biotech Companies

Note: Please refer to Royalty Pharma's Rule 2.4 announcement on 6-Mar-2013 for additional information and the constituents

Companies. Multiples based on closing share prices as at 22-Feb-2013

1

If

\$3bn

of

cash

(\$5/share)

was

distributed

and

the

RP

Proposal

price

declined

proportionately

(with

no

change

to

earnings

forecast),

P/E

would

be

16.7x,

but

then

Elan

would

have

no

cash

to

pursue

its

acquisition

strategy.

References

to

as

adjusted

refer
to
calculations
based
on
this
assumption
2
Median
2015E
revenue
forecast
of
\$430m
as
at
22-Feb-2013
based
on
forecasts
of
brokers
referenced
in
slide
22
in
the
appendix
1
1
1
1

30.6x at \$11.00 Proposal

If Elan distributed \$3bn (\$5/share) in cash, and Proposal price

adjusted

proportionately,

the

adjusted

P/E

would

be

16.7x,

but

then

Elan would have no cash to pursue its acquisition strategy

6

8.7x

6.8x

2015 Price to Earnings Multiples

Elan Trading at a Much Higher Valuation than Successful

Roll-up
Specialty
Pharma
Companies

* Denotes a Royalty Pharma opinion

1

Roll-Up
refers to companies whose business models include significant growth through acquisitions

2

2015E

Broker

Projected

Earnings

Per

Share

as

defined

in

Royalty

Pharma s

Rule

2.4

announcement

dated

6-Mar-2013

Without

significant

accretive

acquisitions,

applying

Valeant

and

Jazz s

current

multiples

to

Elan

consensus 2015e EPS²

of \$0.36 results in a significantly lower share price for Elan:

-

\$2.44 assuming Jazz P/E of 6.8x

-

\$3.15 assuming Valeant P/E of 8.7x

Elan plans to leverage its efficient tax domicile to make acquisitions around the globe

Valeant Pharmaceuticals International, Inc and Jazz Pharmaceuticals Plc are both companies with

efficient non-US tax domiciles that are successful roll-up

Specialty Pharma Companies

Valeant

and

Jazz

both
trade
at
much
lower
P/E
multiples
than
Elan,
and
they
have
larger
infrastructures
that
allow
for
synergies
which
Elan
does
not
have*
1
1

7

8.7x

6.8x

Elan Will Need to Fill a Significant Gap in EPS to Warrant an \$11
Share Price Based On Other Specialty Pharma Company Multiples

* Denotes a Royalty Pharma opinion

1

2015E

Broker

Projected

Earnings

Per

Share

as

defined

in
Royalty
Pharmaceuticals
Rule
2.4
announcement
dated
6-Mar-2013
2
\$1bn
share
repurchase
at
\$11/share
implies
91m
shares
repurchased
(shares
outstanding
decline
from
602m
to
511m)
bringing
2015
existing
business
EPS
to
\$0.42
and
a
gap
of
~\$0.95
2015 Price to Earnings (P/E) Multiples
 $\$11 \text{ share price} / \text{Valeant's } 2015 \text{ P/E of } 8.7x = \1.26
 $\$11 \text{ share price} / \text{Jazz's } 2015 \text{ P/E of } 6.8x = \1.62
2015 EPS Required to Trade at Comparable P/E Multiples With
\$11 Share Price
Analysts that cover Elan estimate that its existing
business (i.e. primarily Tysabri) will generate 2015
EPS of approx. \$0.36
Direct comparison to Jazz and Valeant suggests Elan
will need to acquire new businesses or products that
contribute an additional \$0.90 to \$1.26 in 2015 EPS
to fill the EPS gap and trade at comparable multiples
As illustrated, Elan would need to multiply its 2015

EPS by 3.5x to 4.5x over the next two years to fill its
EPS gap

Key question: can Elan turn ~\$3bn in cash into
~\$1.00 of incremental EPS by 2015? This would
require spending \$3bn to acquire ~\$600m of
incremental net income by 2015 from new businesses
(implying a purchase multiple of 5x 2015 net income).

The \$1bn share repurchase would leave only ~\$2bn
for acquisitions, implying that Elan would need to
acquire ~\$480m of incremental net income (implying
a purchase multiple of 4.2x 2015 net income) .

1

2

About the Tysabri Transaction

Announced to the market on 6 February 2013

Expected to close in 2Q 2013

On completion of the Tysabri Transaction, Elan will give up its 50% profit share in Tysabri in exchange for:

\$3.25bn in cash

A tiered royalty on Tysabri sales

12% on sales during first 12 months following closing of the Tysabri Transaction

After 12 months, 18% royalty on first \$2bn of annual sales and 25% royalty on annual sales over \$2bn

Tiered royalty structure allocates more of the lower risk cash flows (<\$2bn in annual sales) to

Biogen, and makes the value allocated to Elan more dependent on higher risk cash flows (>\$2bn in annual sales)

In addition, on completion of the Tysabri Transaction:

The collaboration agreement between Biogen and Elan will terminate (eliminating change of control provision)

Biogen will have full operational control of, and majority economic interest in, Tysabri
After the Tysabri Transaction, substantially all of Elan's value will consist of net cash of
approximately \$3.1bn and a royalty interest in Tysabri

8

On 6 February, Elan Revealed its True Colors*

9

* Denotes a Royalty Pharma opinion

1

Royalty

Pharma

has

underscored

certain

portions

of

the

passages

for

emphasis

Use of majority of cash for

acquisitions

Unclear and unfocused acquisition strategy*

Vague statements regarding returning cash to shareholders*

Little concern for shareholder views*

Stock fell 10%

Our Perspective

of Key Points Made*

Quote

As far as usage of this capital upon close, they include, but are not limited to, therapeutic opportunities across broad therapies. We are basically agnostic to therapeutic focus

. . . we are somewhat agnostic to different geographies

. . . they all hold some appeal, depending on what part of the geography you're interested in

. . . we are not particularly interested in

large markets, large indications of primary care, but large markets in smaller indications would be attractive and vice versa.

And we still do like some very specific, unique science things.

At the right time and in the right manner, we would intend to provide some portion of this capital back to shareholders over time.

We are not going to satisfy all investors on every category . . . So anyway, everyone can vote with their feet

. . .

But to emphasize, the \$3.25 billion is a lot of money. There is a lot of assets out there. Our goal as we sit here today is that the majority of that capital over time should be put into businesses, again, in a balanced way. But again, some portion of it, given that we brought forward the value, will be returned to shareholders at the right time and post-close and as we sequence it against other transactions

1

Following Royalty Pharma Offer, Elan Changed its Tune*

10

* Denotes a Royalty Pharma opinion

1

RBC and Deutsche Bank notes published on 4-Mar-2013

We greatly value our shareholder relationships and the access to equity

capital these relationships give us and we appreciate the time horizon of many of our long term holders. We will continue to work on ways to unlock incremental value to their direct benefit.

"The vast majority of our investor base simply don't view Royalty's indication as worthy of any discussion period."

We don't see Royalty Pharma as a credible counterparty to have any strategic discussions with. We're not looking for any price.

Elan Shareholders Should View This

Change of Heart with Skepticism*

Post-Offer Announcements

22 February:

\$1bn share repurchase program

Appreciation for long term shareholders

4 March:

Dividend of 20% Tysabri royalty, but

Statement of current intention only

no long-term binding commitment

Brokers calculate a 1-2% yield

No clarity on 80% retained

Interview remarks by CEO reject any

discussions with Royalty Pharma

We're not in any discussions with [Royalty Pharma] at all on any topic

and we don't see any need to have those discussions."

First comments, or lack thereof, are often more revealing*

Change of heart prompted by Royalty Pharma Proposal*

Management does not appear to be focused on maximizing shareholder value*

4 March CEO interview remarks: We're not looking for any price

1

11
Following 6 February Announcement, Elan Shares Faced
Pressure, Counterbalanced by Speculation Elan Could be Acquired

*

Note: Median broker target price calculated from broker notes released after the Tysabri Transaction announcement and prior to

1
Based
on
broker
notes
released
after
the
Tysabri
Transaction
announcement

and
prior
to
25-Feb-2013
(the
date
of
release
of
Royalty
Pharmas
initial
Rule
2.4
announcement)
2
For
brokers
with
Euro-denominated
target
prices,
change
in
target
price
is
on
a
constant
currency
basis
(i.e.
excludes
impact
of
changes
in
USD:EUR
exchange
rate)
3
Report
includes
at
least
some
commentary
on
these

issues
9
out
of
11
analysts
have
price
targets
at
or
below
Royalty
Pharma s
Proposal
price
1

Significant Execution Risk Associated with Elan's New Strategy*

12

Royalty Pharma believes that:

Attractive strategic assets in the pharmaceutical industry are in short supply

There is strong competition for such assets from many large buyers with real operating synergies . . .

. . . driving high prices that make the creation of value through acquisitions difficult

There is no certainty that Elan will be able to deploy capital in ways that create value

Current senior management of Elan has not made significant acquisitions or in-licenses of

late-stage products at Elan; does not have a proven acquisition / in-licensing track record*

Known instead for divestiture of bapineuzumab, Elan Drug Technologies, Prothena and Tysabri

A successful acquisition strategy would typically require Elan to build a costly operating infrastructure and sales force in order to allow it to realize synergies from acquisitions*

Investments

typically

required

in

connection

with

acquisitions

/

in-licenses

could

dilute

Elan's

net

income

and

cash

flow

for

some

period,

and

perhaps

even

cause

those

to

become

negative

Each new investment will likely be scrutinized by Elan shareholders and analysts for near term value creation potential, increasing volatility in Elan shares*

Proposal

allows

investors

to

redeploy

the

cash

themselves

rather

than

have

Elan

acquire

equivalent assets on their behalf and pay a control premium

Shareholders will have limited control over what Elan does with its cash

* Denotes a Royalty Pharma opinion

Value of Tysabri Economics Retained by Elan (\$ bn)

Illustrative % of Elan's Tysabri economics sold to Biogen for cash

46%

48%

50%

52%

54%

Illustrative % of Elan's Tysabri economics retained by Elan in the form of Tysabri royalty

54%

52%

50%

48%

46%

Purchase price paid by Biogen for Tysabri economics acquired

\$3.25

\$3.25

\$3.25

\$3.25

\$3.25

Implied residual value of Elan's Tysabri Royalty

\$3.81

\$3.52

\$3.25

\$3.00

\$2.77

Proposal Enterprise Value

\$3.56

\$3.56

\$3.56

\$3.56

\$3.56

Royalty

Pharma

Proposal

Premium

-6.6%

1.2%

9.6%

18.7%

28.7%

Tysabri Transaction set a real benchmark for (a) the value of the Tysabri Royalty retained by Elan,¹

and (b) the price of an

arms-length transaction at which Elan was a willing seller*

Synergies

realizable

by

Biogen

(~\$30m

annual

operating

synergies)

reduce

the

net

cost

to

Biogen,

suggesting

the

Proposal

is

even

more competitive relative to Biogen's net effective price*

No other buyer besides Biogen can realize such synergies; no further synergies available

Proposal is at a Premium to Price Paid by Biogen in Tysabri

Transaction*

13

* Denotes a Royalty Pharma opinion

1

Percentage retained by Elan not disclosed by either Biogen or Elan. Percentage can be approximated by dividing, on a year-by-year basis, 50% of Tysabri stand-alone operating profit

2

Biogen 6-Feb-2013 presentation

3

Assumes minimal value ascribed to other assets as described on slide 14

2

3

Royalty Pharma Proposal Reflects Full Value for All Elan Assets*

14

* Denotes a Royalty Pharma opinion

Note:

Per
share
values
calculated
based
on
fully
diluted
shares
of
602.0m
at
\$11

per
share
Proposal
price
as
set
out
in
Appendix
VI
of
Royalty
Pharmaceuticals
announcement
on
6-Mar-2013

1
Pro forma for the completion of the Tysabri Transaction (net cash adjusted for \$3.25bn upfront proceeds from Biogen); included in
2
\$123m remaining commitment disclosed in Elan 20-F for year ended 31-Dec-2012; \$60-80m expected this year with \$30m already paid

Value

Comment

Hard Assets:

Net Cash¹

\$3.1bn (\$5.1/share)

Not sensible to pay a premium for cash*

Tysabri Royalty

\$3.25bn is mid-point of range,

excluding synergies, ignoring

increased risk of tiered royalty

(See slide 13) (\$5.4/share)*

Not sensible to pay a premium for a financial asset like a royalty: should be

valued on the basis of financial metrics (i.e. intrinsic value)*

Biogen

now

has

full

operating

control

little

or

no

strategic

value

at

Elan*

Substantial portion of cash flow and value derived post 2020 patent expiry*

Financial Attributes:

NOLs

Less than \$187.5m

(\$0.3/share)

Maximum value of \$187.5m (= \$1.5bn in putative NOLs times 12.5% Irish tax rate) provided Elan can use all NOLs upfront

If they are used over time, net present value of NOLs is less than \$187.5m

Irish Tax Domicile

Difficult to value; perhaps no

value if no suitor with need for

domicile comes forward

Does not differentiate Elan from many other pharma companies in low-tax jurisdictions (e.g Jazz, Valeant)*

Extremely difficult now to use Irish domicile to lower tax rate of non-Irish businesses as a result of change in law following Alkermes/EDT deal

Offsets:

Operating Expenses

incl. ELND005

\$170-190m in 2013

(-\$0.3/share) annually

These expenses would decrease cash available to Elan Shareholders;

ELND005 clinical trial costs not disclosed

Expenses assoc. with

bapineuzumab (bapi)

\$60-80m remaining in 2013 for

bapi

; no visible value in

excess of investment required*

\$123m commitment remains for bapi

Other Considerations:

Business Development

Value destruction a real

possibility*

Scarcity of assets, competition, lack of synergies and lack of management

track record imply significant execution risk*

2

2

Limited, Customary Pre-Conditions to a Firm Offer

Satisfactory completion of customary due diligence (including management meetings)

Completion of Tysabri Transaction

Other customary conditions as set out in Rule 2.4 announcement of 25 February 2013

15

Our Proposal has only limited and customary pre-conditions

All can be satisfied quickly; we expect to complete due diligence in 20 days

Reasons Why Royalty Pharma's Proposal is Compelling

16

1.

Allows

Elan

Shareholders

to

immediately

receive

full

value

for

their

Shares

in

cash*

2.

Proposal is at a premium to price paid by Biogen in Tysabri Transaction*

3.

Proposal

represents

a

cash

premium

of

12.5%

to

the

Current

Enterprise

Value,

and

EV

and

P/E multiples well above relevant sector multiples

4.

Significant execution risk associated with Elan's new strategy*

5.

Elan's senior management lacks a successful acquisition / in-licensing track record at Elan*

6.

Post-Tysabri Transaction, Elan has little or no strategic value; the field of likely acquirors has

narrowed sharply*

7.

Royalty

Pharma

is

ready

and

able

to
move
quickly
to
announcement
of
a
formal
offer
once
given appropriate due diligence access
* Denotes a Royalty Pharma opinion

The Choice for Elan Shareholders is Clear
17
Cash Out Now at Full Value
Trust That Elan's Acquisition Strategy
Will Succeed
Elan
Shareholders
may
never
get
another
opportunity
to
make
this
choice
and
should
urge the Elan Board to engage with Royalty Pharma*

Receive full value for Elan shares in cash
now*

Certainty of value

Remain invested in a company with two
material assets:

A royalty interest in Tysabri

Cash, the majority of which management has
stated will be used for acquisitions

Accept the execution risk associated with
Elan's acquisition strategy

OR

* Denotes a Royalty Pharma opinion

Appendix
18

Royalty Pharma Has a Strong Track Record Raising Capital
In the Debt and Equity Markets
19

From
To
TYSABRI intellectual
property and know-how
shared within collaboration
100% of Intellectual
Property and know-how
owned by Biogen Idec
50:50 TYSABRI profit split
All of TYSABRI sales,
operating expense and
profit to Biogen Idec
Upfront
payment
to
Elan

Sales-based contingent
payments to Elan
50:50 TYSABRI decision
rights via multiple joint
committees
100 % controlled by Biogen
Idec
Day-to day operating
activity mostly Biogen Idec
100% operated by Biogen
Idec
Eliminates change of
control provision
Biogen Gained Full Strategic Control of Tysabri
Below
in Biogen's Own Words
are the Key Elements of the Transaction
Synergies from consolidating collaboration
Will range from \$20M to \$35M annually
Asset purchase
a very appealing structure
Known asset
Simple and seamless transaction
Allows for capturing tax-related benefits
Tax-related benefits specific to asset purchase
structure
Purchase price amortization benefit will range from
\$40M to \$50M annually. This will apply only on a
GAAP basis
Increase in Manufacturing Deduction benefit
Current plan to cost share a late-stage asset
Sales-based contingent payments also tax
deductible
Use of offshore cash
Majority of upfront funded from ex-U.S. cash
Immediately and sustainably accretive to
earnings
20
From Collaboration to Asset Ownership
Attractive Operational and Financial Benefits
Source: Biogen 6-Feb-2013 presentation. Capitalized terms used in this slide are those used in that Biogen presentation

Highly Volatile Performance Over the Last 10 Years With a
Number of Surprises to the Downside

21

Note: BTK is the NYSE AMEX Biotechnology Index, NBI is the NASDAQ Biotechnology Index

Sources and Bases

22

Slide

1:

Royalty

Pharma

company

documents

and

unaudited

results

for

the

financial

year

ended

31-Dec-2012;

EvaluatePharma

estimates

for

2016

Slide 2: Elan company filings and press releases; Biogen press release 6-Feb-2013

Slide 3: Current Enterprise Value calculation in Appendix VI of Royalty Pharma's Rule 2.4 announcement dated 6-Mar-2013

Slide 4: Current Enterprise Value and Proposal Enterprise Value calculations in Appendix VI of Royalty Pharma's Rule 2.4 announcement

Slide 5: see Royalty Pharma's Rule 2.4 announcement dated 6-Mar-2013 for further details on the basis of calculation of Elan's

Share multiple and 2015 Broker Projected EBITDA multiple; calculation of Large Cap Biotech Companies and Spec Pharma Company

consensus as downloaded from FactSet on 22-Feb-2013 (for forecasts), FactSet on 22-Feb-2013 (for share price data and number of

company filings (for balance sheet data); Elan median 2015E revenue forecast based on forecasts made by Berenberg, Cowen, and

Stanley, RBC Capital Markets and UBS

Slide 6: Valeant and Jazz multiples based on I/B/E/S consensus as downloaded from FactSet on 22-Feb-2013 (for forecasts), FactSet on 22-Feb-2013 (for

data and numbers of shares outstanding) and company filings (for

balance sheet data). See Royalty Pharma's Rule 2.4 announcement dated 6-Mar-2013 for further

details on the basis of calculation of Elan's 2015 Broker Projected Earnings Per Share multiple

Slide

7:

2015E

Broker

Projected

Earnings

Per

Share

as

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in

Royalty

Pharma's

Rule

2.4

announcement

dated

6-Mar-2013;

Valeant

and

Jazz

multiples

sourced

as described above

Slide 8: Elan and Biogen press releases dated 6-Feb-2013; net cash calculation in Appendix VI of Royalty Pharma's Rule 2.4 announcement

Slide 9: Elan press release dated 6-Feb-2013; CallStreet transcript of Elan conference call 6-Feb-2013; FactSet

Slide 10: Broker research; Elan press releases dated 22-Feb-2013 and 4-Mar-2013; Bloomberg article dated 4-Mar-2013; Reuters

Slide 11: Broker research; Bloomberg as at 23-Feb-2013

Slide 13: Royalty Pharma analysis based on disclosed terms of Tysabri Transaction from Elan and Biogen press releases dated 6-Feb-2013

Slide 14: Net cash calculated in Appendix VI of Royalty Pharma's Rule 2.4 announcement dated 6-Mar-2013; US\$1.5bn of Net Cash

referenced in CallStreet transcript of Elan conference call on 6-Feb-2013; operating expenses based on disclosure in Elan's annual

financial year made on February 6, 2013; Elan 20-F for year ended 31-Dec-2012

Slide 16: Royalty Pharma's Rule 2.4 announcement dated 6-Mar-2013

Slide 19: Royalty Pharma company documents and press releases

Slide 20: Biogen 6-Feb-2013 presentation

Slide 21: FactSet as at 22-Feb-2013; Elan company filings and press releases

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Additional
Information

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This document may include certain "forward looking statements" with respect to the business, strategy and plans of Elan and R Possible Offer and their future financial condition and performance. Statements that are not historical facts, including statements beliefs and expectations, are forward looking statements. Words such as "believes", "anticipates", "estimates", "expects", "inter and variations of these words and similar future or conditional expressions are intended to identify forward looking statements their nature, forward looking statements involve risk and uncertainty because they relate to events and depend upon future circ

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about
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attributable to shareholders; anticipated provisions or write-downs, economic profit, dividends, capital structure or any other fi

Elan,
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Rule
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