

From: Richard Kahn <[REDACTED]>
To: "jeffrey E." <jeevacation@gmail.com>
Subject: Re: Add to TEVA and AGN
Date: Thu, 25 Aug 2016 16:43:38 +0000

agreed
her frequent recommendations are reminding me of Tazia from DB

Richard Kahn
HBRK Associates Inc.
575 Lexington Avenue 4th Floor
New York, NY 10022
tel [REDACTED]
fax [REDACTED]
cell [REDACTED]

On Aug 25, 2016, at 12:36 PM, jeffrey E. <jeevacation@gmail.com> wrote:

Dumb

On Thursday, 25 August 2016, jeffrey E. <jeevacation@gmail.com> wrote:
no

On Thu, Aug 25, 2016 at 11:34 AM, Richard Kahn <[REDACTED]> wrote:
amanda is recommending we add to the two convertible preferred positions we purchased on 8/18

- a) teva bought 1,000 @ 901.75 - currently at 883.25 down 2.1% from purchase
- b) agn bought 1,000 @ 881.50 - currently at 861.00 down 2.3% from purchase

please advise
thank you

Richard Kahn
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Begin forwarded message:

From: "Ens, Amanda" <[REDACTED]>
Subject: Add to TEVA and AGN
Date: August 25, 2016 at 9:35:43 AM EDT
To: Richard Kahn <[REDACTED]>

Rich,

With yesterday's weakness in healthcare on pricing concerns coming back into headlines, I recommend adding to the AGN and TEVA convert preferreds. Teva also traded lower on yesterday's patent decisions; we are reiterating our Buy recommendation on TEVA today and view the pullback as a buying opportunity.

AGN A Pfd: \$861.00 (6.4% strip yield)

TEVVF Pfd: \$883.25 (8.1% strip yield)

With TEVA confirming the loss on 2 of its 5 Copaxone patents from yesterday's IPR decisions & MYL confirming that the third IPR decision is expected by 1-Sept, our analyst Sumant has notes out on TEVA, MYL & MNTA walking through his assumptions/thoughts.

For **TEVA**, while today's ruling is somewhat of a setback, I'd argue that risk/reward is still positive given shares are already largely discounting Copaxone 3x/week (3TW) generics coming to the market in 2018. Note consensus (& our analyst Sumant's model) already assume generics enter in 1Q17 based on NCE-exclusivity going. Teva can appeal these patent decisions and while the ruling is somewhat of a setback, we note that Teva, in theory, would need only one patent to be upheld to protect its 3TW Copaxone. Our Teva model and DCF-based price objective of \$72 already assume that generics of 3TW enter in 1Q17, which could be overly conservative as the last-listed fifth patent has not even been challenged yet. As such we would view any weakness in Teva shares on these IPR decisions as a particularly attractive opportunity and are reiterating our Buy rating.

For **MYL**, little credit is given to the stock for Copaxone (especially with recent concerns over EpiPen pricing) & note that MYL has still yet to receive approval for 1x Copaxone & is awaiting approval for 3TW. Sumant models \$100mm/yr in sales for Copaxone for MYL (worth \$1 to his DCF).

For **MNTA** (partnered w/ Sandoz/NVS), they are a beneficiary of the IPRs (although not a party there) as they are part of the P-IV challenge which kicks off on 26-Sep (relates to 4 existing OB-listed patents – see specifics below). Sumant assumes 3TW launch in 2019 but would see \$2/share of upside should MNTA launch at-risk (assuming approval).

[Links to Notes](#)

- [Link to TEVA Note](#)
- [Link to MYL Note](#)
- [Link to MNTA Note](#)

Quick Background on Copaxone 3TW Litigation (from Sumant's note)

Copaxone 3TW has new product exclusivity through 1/28/17 and is protected by five patents: '250, '413, '302, '776 and '874, which expire on 8/19/30. Today's IPR applies to '250 and '413, while the decision to come on or before 9/1/16 is on the '302. The first four patents are part of the Hatch-Waxman patent challenge process (Paragraph-IV), while the fifth is not part of any proceedings yet. A trial in the Paragraph IV challenge is set for 9/26/16, with a potential ruling in 1Q17; the lower court case is consolidated for all known generic filers, i.e., MNTA/Sandoz, Mylan, Dr. Reddy's, Synthon/Pfizer and Amneal. We note that both the IPR decision and the lower court ruling can be appealed.

Amanda Ens

Director

Bank of America Merrill Lynch

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Phone:



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From: Ens, Amanda

Sent: Wednesday, August 24, 2016 3:30 PM

To: 'Richard Kahn'

Subject: RE: TEVA...IPR Decision Coming By Thurs...I like the Risk/Reward (+10% vs -5%)

Rich, right after I sent this, the ruling came in earlier and was in fact unfavorable. The stock is down about 5% as we expected.

From: Ens, Amanda
Sent: Wednesday, August 24, 2016 3:20 PM
To: 'Richard Kahn'
Subject: TEVA...IPR Decision Coming By Thurs...I like the Risk/Reward (+10% vs -5%)

Rich, wanted to flag this for your attention. Our view is that there is good risk-reward for TEVA going into a patent decision expected tomorrow relating to its key drug Copaxone (Copaxone US is ~16% of sales, ~21% globally). If the decision is unfavorable, we would likely look to add on any weakness. Our analyst is already building in considerable Copaxone generics competition starting in 2017, as do most analysts, so our model is conservative vs. Teva's outlook (company's outlook assumes no generics through 2019.)

TEVA is awaiting an inter partes (IPR) decision (expected by 25-Aug / Thursday) for Teva's Copaxone 40mg 3x/week (3TW) multiple sclerosis drug.

As a quick background, the IPR (filed by MYL/Amneal) relates to 3 of the 5 outstanding patents for Copaxone 40mg ('250, '413, '302). Note that PGR for patent '776 was rejected just last week (filed by MYL).

On their recent 2Q results call, TEVA mgmt was incrementally more confident around their defensibility of its IP & sees any potential generic launch (which would still be at risk in their view until all 5 patents are invalidated) not happening until 2H18 (see litigation timeline below).

Note that our analyst Sumant models generic competition in 2017 (as does most of Cons) - if he assumes 3TW generic entry in 2020 (vs base case of 2017), note his DCF would increase by \$3/share (all else equal) – see note attached.

As for the relevant patents – note that an IPR decision will be based on the various claims within each patent (3 in total) & unless all arguments from the generic filers on the claims are granted, TEVA will be viewed as the winner (given burden of proof is on the generics).

Also note that the traditional P-IV challenge from MNTA/Sandoz/MYL/Amneal/Synthon/PFE/DRRD will kick off 26-Sep.

→ Net/net, a victory for TEVA likely sees a 10%+ move higher in my view (\$58ish) while a negative outcome likely sees 5% downside to around \$50/sh (given a Cons already assumes generic competition coming next year).

[Copaxone Litigation Timeline \(from 2Q Results Slidedeck\)](#)

[Scenario Analysis – BofAML](#)

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