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King Pharmaceuticals Inc., Q1 2009 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions). Our first question comes from Corey Davis - Natixis Bleichroeder.

Corey Davis - Natixis Bleichroeder

First for Brian, can you give us an update or at least any clarification you might have received from the FDA in recent discussions, what shape that REMS program might take?

Brian A. Markison

What's the second question?

Corey Davis - Natixis Bleichroeder

Yes, more for Joe, if you're going to keep your full year SG&A guidance but just reported \$548 million run rate without any synergies, I'm assuming that you're assuming a pretty big ramp in spending for EMBEDA and ACUROX, so one, is that correct, and second, should Q2 start to see those expenses and be up sequentially over Q1?

Brian A. Markison

Corey, I'll take the REMS question first; the best way to describe the REMS is we're in a dialogue now with the agency, and again we think it's a very positive move forward for us and I think the best way to describe it at this time is to say that it's not unduly burdensome for the company, and while we're still finishing up some of the elephants and what it will look like, again, it's something that we are well prepared to live with; I think it's the best way to describe it, and Joe will take the second half of the question.

Joseph Squicciarino

First, we will see a ramp in spending as the year progresses but not as much as you might think and I will come back to that in a moment. We're still holding to our range of \$560 million to \$580 million; we will come in if all things go according to plan at the higher end of that range. So, to frame this for you, to put it in perspective, if you start with the \$560 million to \$580 million range of spend for SG&A, that already includes \$60 million of savings from integration as well as the \$90 million of savings from restructuring, and I guess the best way to describe it is last year 2008, the total SG&A number was \$413 million, so if you work that delta over that variance off of the range, you're looking at an increase of \$147 million to \$167 million, and the Animal Health business comprises approximately

\$80 million of that increase. We have 100 more references this year than we did last year, so that's about another \$20 million, and then between the acquired products, specifically FLECTOR and now getting back to your point as well as the amounts that we've allocated for the launch of the new product EMBEDA and ACUROX, that will come in at about an increase year-on-year of about 40, and of course there's inflation on the cost base which is about \$20 million; so, those four items represent an increase of about \$160 million which sets you back to the increase year-on-year of the \$147 million to \$167 million of the range of guidance that I gave earlier.

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