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PDL BioPharma Q3 2009 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you. (Operator's Instructions) Your first question comes from the line of Joel Sendek representing Lazard Capital Markets.

Joel Sendek – Lazard Capital Markets

Thanks. I have a question on the securitization and then I had a question on the quarter. First on the securitization, I'm just curious as to why you organized it in a subsidiary?

John P. McLaughlin

It's a structure that's commonly used in these for mainly to make sure it's bankruptcy remote. We're not planning on going bankrupt. We don't think that's in the future, but for purposes of giving assurances to the note holders that they had access to the royalties, you set it up in a bankers remote sub which we now call QHP Royalties Sub LLC.

Joel Sendek – Lazard Capital Markets

Okay, got it. And so when you report your quarters in the future it will be on a consolidated basis?

John P. McLaughlin

That is correct.

Joel Sendek – Lazard Capital Markets

Okay. And then as far as the quarter is concerned, maybe you can answer this, maybe not, do you have any insight as to the production of Avastin ex-US? Was any of the drug made ex-US this year and do you anticipate that things might change and head there in the future.

John P. McLaughlin

So we get reports from Genentech where they do identify where the drug is made because that affects the royalty rates, and to date we have not seen any commercial supplies of Avastin made ex-US and that's one of the reasons why we're revising our guidance.

We have seen announcements, particularly the first half of 2009 report to stockholders by Roche where they indicated that they did intend to move some manufacturing overseas. We've seen subsequent announcements where they've talked about, either acquiring and/or transferring

manufacturing, including Avastin and Lucentis, to mammalian cell and e coli plants respectively in Singapore. So they clearly are planning to move some overseas. They have not given much information to date in terms of timeline.

Joel Sendek – Lazard Capital Markets

Okay. And then my final question on the MedImmune front, are you including that in your guidance now just because we're three quarters of the way through the year and you already booked those royalties or is it because you think you've made some progress in the litigation.

John P. McLaughlin

We are clearly moving along the litigation, but it's still early days. But to the point of your observation, most of the money because it's a seasonal drug, comes in early. It's all in the door. We get some monies afterwards, but they're quite small in comparison from what we get earlier in the year. It's all in, we've got it, we booked it, that's why it's there.

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