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ENDP - Q4 2014 Endo International PLC Earnings Call

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OVERVIEW:

Co. reported 2014 revenue of $2.88b and adjusted diluted EPS of $4.31. 4Q14 revenue was $800m and adjusted diluted EPS was $1.16. Expects 2015 revenue to be $2.9-3.0b, adjusted diluted EPS to be $4.35-4.55 and GAAP diluted EPS to be $2.73-2.93.

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PRESENTATION

Operator

Good day, ladies and gentlemen. Welcome to the Q4 2014 Endo International plc earnings conference call. My name is Greta and I will be your operator for today.

(Operator Instructions)

As a reminder, this conference is being recorded for replay purposes. I would now like to turn the conference over to your host for today, Keri Mattox. Please proceed.

Keri Mattox - *Endo International plc - SVP IR & Corporate Affairs*

Thank you, Greta. Good morning and thank you for joining us to discuss our fourth quarter financial results and the divestiture of AMS. With me on today's call are Rajiv DeSilva, President and CEO of Endo; and Suky Upadhyay, Chief Financial Officer. We have prepared a slide presentation to accompany today's webcast and that presentation is posted online in the Investor section at Endo.com.

I would like to remind you that any forward-looking statements by management are covered under the Private Securities Litigation Reform Act of 1995 and Canadian Securities Litigation Act and subject to change, risks and uncertainties described in today's press release and in our filings with the SEC. In addition, during the course of this call we may refer to non-GAAP financial measures that are not prepared in accordance with accounting principles generally accepted in the United States and that may be different from non-GAAP financial measures used by other companies.

Investors are encouraged to review Endo's current report on Form 8-K filed with the SEC for Endo's reasons for including those non-GAAP financial measures in its earnings announcement. The reconciliation of non-GAAP financial measures to the most directly comparable GAAP financial measures is contained in our earnings press release issued prior to today's call.

With that, I would now like to turn the call over to Rajiv.

Rajiv DeSilva - *Endo International plc - President and CEO*

Thank you, Keri, and welcome to the Endo team. As many of you may know, Keri has just joined us from Auxilium. She has been a great addition to the team and we are very much looking forward to working with her.

I would also like to take a moment to thank Blaine Davis who has served Endo so effectively for many years, Endo's work leading the Corporate Affairs function, and more recently as our Head of Endo Ventures Ireland contributed so much to the Company. We are very pleased to welcome him into our commercial organization as our General Manager of Specialty Pharmaceuticals within our US Branded Pharmaceuticals business, where we are certain he will continue his track record of success.

So now with that, good morning, everyone. Thank you for joining us today. I hope you have all had a chance to review the Company's earnings press release and the separate announcement of our plan to divest the AMS business that we just issued earlier this morning.

On Slide 2, you will see our agenda for today's call. We will start with a review of our recent accomplishments and follow that with the highlights of our fourth quarter and full-year 2014 financial results. We will then focus on the year ahead and provide our initial 2015 outlook and financial guidance. After our prepared remarks, we look forward to taking your questions.

Moving on to Slide 3. We continued to make good progress in addressing our near-term strategic priorities that we believe will support our objective of becoming a leading global specialty pharmaceuticals company. First, our commitment to a strategic and disciplined approach to capital deployment was demonstrated by our recent deals.

In January of this year, we completed our acquisition of Auxilium Pharmaceuticals. We believe this acquisition is transformational for our US Branded Pharmaceuticals business, as Auxilium builds on our men's health portfolio with a complementary set of products and provides attractive long-term organic growth drivers.

Additionally, in November, we announced the acquisition of rights to Natesto Testosterone Nasal Gel. We expect to launch this product this month and believe its unique intranasal delivery system will expand treatment options for patients diagnosed with hypogonadism.

Second, we are focused on the organic growth drivers in all of our businesses. In US Generics, we had exceptional performance and delivered full year 2014 organic sales, well above industry growth rates.

The integration of Auxilium's commercial team into our US Branded Pharmaceuticals business was also a high priority item following the close of the transaction. We selected top performers from both companies to support the marketing and sales of our product portfolios in pain, urology and specialty pharmaceuticals.

Third, we remain focused on supporting R&D opportunities that fit our development risk profile. In the US Branded business, we recently announced FDA acceptance of the NDA for our Buprenorphine Buccal Film. We expect a PDUFA action date in October 2015 and the agency has approved BELBUCA as the product name.

In addition, we currently anticipate that the DEA would classify this product as a Class III controlled substance. All of these developments are in line with our previous expectations.

The integration of Auxilium's R&D organization is also progressing smoothly and we expect to provide an update on the XIAFLEX development projects by the end of the first quarter of 2015. One of the important aspects of Endo's R&D strategy is that we are focused on rebuilding our development pipeline with opportunities that are late-stage that we believe are relatively derisked. XIAFLEX, with multiple opportunities for development, is an excellent fit with that profile.

Fourth, we remain focused on meeting our financial guidance. In a strong fourth quarter, we expanded both revenues and gross margins. Overall, we beat our earnings per share guidance and reported revenues near the top end of our projected range.

Moving now to Slide 4. This morning, we announced the divestiture of AMS' Men's Health and Prostate Health businesses to Boston Scientific. Before discussing the details, I would like to start by commending Camille Farhat and his leadership team and the broader organization of AMS for the progress they have made over the past two years.

Since I started at Endo, the commitment and execution at AMS has led to a remarkable return to growth and enhanced profitability while maintaining focus on the quality of AMS' products and the needs of the patient community it serves. Our decision to sell AMS reflects Endo's belief that while AMS is a leading urological device business, it is -- it will be of greater strategic value and fit to a global leader in medical devices.

Under the terms of the agreement announced today, Boston Scientific will acquire the Men's Health and Prostate Health businesses of AMS for a total consideration of up to $1.65 billion. Of that total, $1.6 billion will be payable in cash at closing and there's a potential milestone payment of $50 million in cash based on performance, on business performance. With respect to timing, we expect this transaction to close in third quarter subject to regulatory and customary closing conditions.

We also announced this morning that Endo is evaluating strategic alternatives for the AMS Women's Health business. As we evaluated expressions of interest in the AMS business, we concluded that splitting Men's Health and Prostate Health from the Women's Health business would be the best path forward. Doing so minimizes overlap of potential acquirers, provides for an efficient process that limits business disruption and supports the maximization of the ultimate proceeds.

Moving now to Slide 5. I believe our strategic rationale for the divestiture is clear. First, it focuses Endo on its objective of building on our position as a leading global specialty pharmaceuticals company. Second, the proceeds of the divestiture will create balance sheet flexibility that will enable Endo to heighten its focus on accretive, value-creating M&A. We believe that a double-digit EBITDA multiple for the sale of AMS supports potential value creation from redeployment of capital.

And third, the financial profile of our continuing operations will be improved on a number of fronts. Given our prior expectations, we believe the divestiture of the AMS Men's and Prostate Health business will improve our revenue growth rate, lower our effective tax rate, and raise our adjusted net income margin.

Moving to Slide 7. You will see that we are reporting $800 million in revenues, up 37% versus prior year and $1.16 in adjusted diluted earnings per share. Suky will provide more details about our fourth quarter results in just a few minutes.

For the full year, we reported $2.88 billion of revenues and $4.31 in adjusted diluted earnings per share. That result was far ahead of our initial expectations for 2014 which were for revenues in a range from $2.5 billion to $2.62 billion and adjusted diluted earnings per share between $3.40 and $3.65. Acquisitions contributed to the growth of our 2014 revenues and are directionally aligned with our corporate strategy.

On the next few slides, as we have done consistently this year, I will also focus on the organic growth drivers in each of our core businesses that we believe demonstrate the underlying strength of our Company and potential for continued expansion in 2015.

Moving to Slide 8. Core products in US Branded Pharmaceuticals delivered organic sales growth of 12% in fourth quarter 2014 compared to fourth quarter 2013. That measure excludes LIDODERM, OPANA ER, SUMAVEL and royalties received from Actavis for its generic lidocaine patch for comparison purposes.

For full-year 2014, these core brands -- these core branded products delivered 8% growth and exceeded our recently raised guidance of mid-single digit for year-over-year growth. We continue to invest in organic growth drivers for Branded Pharmaceuticals and as previously mentioned, we recently announced the acceptance by FDA of the NDA for BELBUCA, with an expected action date in October 2015.

Endo remains the leader in pain management and we are excited about the potential for this product to further enhance our position in this space. With the acceptance of the NDA for BELBUCA, the addition of the pipeline that surrounds XIAFLEX, we believe our current late-stage R&D efforts in US Branded Pharmaceuticals provide multiple opportunities for organic revenue growth and these products could collectively deliver up to an additional $500 million to $1 billion of revenue over the longer term, if approved.

Moving to Slide 9. Our US Generics business continued to deliver impressive results in the fourth quarter, with sales of $337 million, delivering 70% growth versus prior year. With over $1.1 billion of revenues in 2014, US Generic Pharmaceuticals is our largest segment, offers attractive operating margins and has a strong growth profile.

Growth in our US Generics business this quarter benefited from the additions of Boca Pharmacal and DAVA Pharmaceuticals. Sales of LIDODERM AG were a strong source of new growth as well. Excluding these effects, underlying generic sales grew 15% versus prior year and for the full year, we again delivered double-digit organic growth.

Our Controlled Substance Product Group was an important source of organic growth for our US Generics business this year. New products also contributed strong volume growth throughout 2014. For example, in late November, Qualitest launched the first generic version of Valcyte in the US, which helped US Generics close 2014 with better-than-expected results.

Moving to Slide 10. We met our objective to return AMS to growth in 2014 while improving margins. This was capped by a strong fourth quarter with mid-single digit growth for the whole business. As a result, for the first time in four years, total AMS sales grew for the full year on a pro forma basis.

Moving to Slide 11. Our International Pharmaceuticals business performed well and met our expectations. Paladin's business development efforts are progressing at a similar pace to historical levels.

We have recently launched -- announced launches of Zincofax Spray and Dynamiclear Rapid in Canada. The steady pace of product introductions gives us confidence in the sustainability of Paladin's growth profile.

We also recently completed the acquisition of the outstanding shares of the Litha business in South Africa. We believe having full control of that business is of value as we evaluate our strategic growth options in this attractive emerging market.

Finally, on the international front in 2014, we made a very -- we made very good progress with our integration of Somar in building out our Latin American expansion platform.

And with that let me turn the call over to Suky to provide some more details of our financial performance for the quarter and the full year. Suky?

Suky Upadhyay - *Endo International plc - EVP, CFO*

Thanks, Rajiv, and good morning to those joining us for today's presentation. We are pleased with the performance that Endo delivered in 2014. At the start of the year, we set expectations of $3.40 to $3.65 in adjusted diluted earnings per share and finished the year at $4.31. The steady improvement during 2014 was the result of driving revenue growth in our core business and through strategic, accretive M&A.

Disciplined resource allocation and a lean operating model, along with a favorable corporate structure, also led to adjusted net income growth above the rate of overall revenue growth for the full year. In addition we continue to see solid underlying cash flow generation when you exclude payments related to certain legal settlements.

Starting with Slide 13, I'll walk you through some of the financial details for 2014. Moving on to revenue performance. I won't cover revenues in detail, as Rajiv has already addressed that earlier in the presentation.

Overall, revenues increased 37% versus the fourth quarter of 2013. Excluding the effects of the sales of branded LIDODERM and our AG, royalties received from Actavis, sales of OPANA ER, and acquisitions completed in 2014, underlying growth for the quarter accelerated to 11%. Our strong fourth quarter helped us to close the year with 10% revenue growth and underlying growth of 7%.

As Rajiv discussed earlier, these results were driven by upper single digit core growth in our Branded Pharmaceuticals business, double-digit organic growth in our Generics business and a return to growth in AMS. We continue to focus on organic growth and the addition of Auxilium is the most recent example of how we expect to use acquisitions to support near-term performance while also providing durable revenue growth.

2014 was a rebuilding year for Endo. It was characterized by growth and diversification of our revenue base, expanded operating margins, an improved tax structure and better cash conversion, all while maintaining a prudent and flexible capital structure.

We have exceeded our initial financial expectations while building a solid financial foundation for future growth. We accomplished this while largely turning the corner on LIDODERM loss of exclusivity and while also resolving substantially all US mesh claims.

Moving to Slide 14. As expected, adjusted gross margin declined in the quarter, driven by a shift in business mix, lower royalty revenues, and a one-time effect related to price increases in controlled substances that we discussed on our third quarter call.

Our adjusted operating expenses met our full-year expectations of a mid to high single digit decrease. The achievement of our objectives to reduce legacy business expenses by $325 million versus the 2012 baseline gave us the capacity to add strategic growth platforms, such as Paladin and Somar. We made those additions and still reduced our adjusted operating expense margin by more than 500 basis points in both the fourth quarter and for the full-year 2014 when compared to 2013.

In addition to our positive operating expense performance, we have an improved adjusted effective tax rate as the result of the Paladin transaction. We posted a fourth quarter 2014 adjusted effective tax rate in the low 20%s, which is about a 700 basis point improvement when compared to the full year tax rate in 2013. And importantly, we are set up for further improvements into the future.

The improvements in our cost structure and adjusted tax rate led to fourth quarter and full-year adjusted net income growth at a rate that was faster than our revenue growth. This is a financial profile that we endeavor to sustain on a long-term basis.

Fourth quarter adjusted EPS of $1.16 contributed to a full-year result of $4.31 per share, which was ahead of our expectations as a result of a stronger-than-expected operating performance. For additional details on our fourth quarter 2014 financial results, please review today's earnings press release.

Now, I'll turn the call back over to Rajiv for the start of our review of Endo's 2015 outlook.

Rajiv DeSilva - *Endo International plc - President and CEO*

Thank you, Suky. Moving on to Slide 16. I would like to share with you the objectives for Endo in 2015. We believe that if we meet these objectives, Endo will continue to create exceptional shareholder value. For reference, the full set of our objectives are on the slide in today's presentation.

I will focus my remarks on two key areas only. First, we are focused on completing two to three value-creating deals in 2015. We closed the acquisition of Auxilium with a strong balance sheet as a result of the strong demand for our equity.

Our leverage ratio is in the mid to high 3s, with an expectation of moving lower, which gives us the financial flexibility to proactively pursue new transactions. While we will continue to primarily focus on small to medium-sized deals, we are open to larger and potentially transformative transactions as well.

Second, we are focused on increasing our R&D pipeline value across all of our business segments. Specifically, in US Branded Pharmaceuticals, we have preserved Auxilium's R&D investment for continued development of XIAFLEX in potential new indications.

Moving to Slide 17, our US Branded Pharmaceuticals segment will remain focused on the integration of Auxilium and the enhancement of our organic growth profile. The addition of Auxilium supports our objective of achieving double-digit organic growth for this business segment in the near term post-2015.

The first phase of the integration is largely complete and we have established three businesses within Branded Pharmaceuticals: pain, urology and specialty pharmaceuticals, to support our newly expanded portfolio and the pipeline opportunities with them. Our US Branded Pharmaceuticals business is also keenly focused on supporting future organic growth drivers by preparing to launch BELBUCA and investing in the development of XIAFLEX in potential new indications. We will continue to support OPANA ER through ongoing promotions, investing in development, and vigorously asserting and defending its patents.

Moving on to Slide 18. In US Generics, we are focused on actions within manufacturing, quality and R&D to support our objective of longer-term sustained organic growth. In 2015, we expect strong double digit revenue growth for US Generics as a result of consistent volume growth supplemented by recent pricing opportunities.

We will invest to add new ANDAs to our product pipeline and take the opportunity to optimize that pipeline and focus on higher value Endo filings. And last, while we cannot plan for them, we will maintain our opportunistic approach to supply and demand imbalances that lead to volume and price opportunities for US Generics.

Moving to Slide 19. In our International Pharmaceutical segment, we are focused on building a global platform to further diversify our product portfolio and pipeline. We have a long-term aspiration to increase the proportion of Endo's revenues that are generated outside the US and we will continue to drive organic growth and look for strategic M&A opportunities in 2015 to continue to make strong progress towards that goal.

Now, let me turn the call back over to Suky to review the details of our 2015 guidance. Suky?

Suky Upadhyay - *Endo International plc - EVP, CFO*

Thanks, Rajiv. Moving to Slide 20, I'll start with the effects of the divestiture of AMS on our 2015 financial guidance. As a result of today's agreement with Boston Scientific and the sale process for Women's Health, we expect to report any interim results for AMS as discontinued operations. The shift to discontinued operations removes AMS from our operating and tax results and AMS will only show as a contribution to consolidated net income on the income statement.

On a number of fronts, we believe this will enhance our financial profile by improving our organic growth rates for revenue, reducing our effective tax rate and improving net income margins. To be clear, our financial guidance for 2015 is on a continuing operations basis only and so in order to assist with year-over-year comparisons, I'll briefly describe the full year 2014 financial profile for AMS.

For full year 2014, revenues were $497 million on an adjusted basis. AMS had gross margins of approximately 76%. Adjusted operating income, which is something we detail in segment reporting within our quarterly and annual SEC filings, was approximately 31% of revenues for full year 2014.

AMS had an effective tax rate of about 30% in 2014, which is well above the Company average. The tax rate profile, in tandem with a lower operating margin, results in an adjusted net income margin of 21%, which is also below the Company average.

For modeling, you can assume AMS as about a $500 million revenue business growing in the low single digits, with about $0.60 of EPS, utilizing 2015 share count. Our 2015 guidance excludes AMS' approximately $0.60 per share.

Moving on to Slide 21. I will cover some key events assumed in our guidance. We will continue to monitor these assumptions and provide updates as events unfold during 2015.

First, consistent with our past approach, we do not include M&A transactions that have not yet closed, and with respect to Auxilium, the timing of that in close implies that we will consolidate 11 months of results for that business in 2015. There are a number of events assumed in our plan that I will discuss here.

We assume additional competition for a number of products with current exclusivity or limited numbers of therapeutically equivalent competitors today. We assume additional LIDODERM generic entrants and additional hydrocodone acetaminophen combination products that will compete with Boca Pharmacal's key products to be in the first half of the year. In addition, we assume a loss of exclusivity for Voltaren Gel in the third quarter, a loss of exclusivity for FROVA in the fourth quarter, and additional competition for generic Valcyte in the first half.

The second assumption relative to 2015 guidance relates to pricing. Our recent pricing experience has been more favorable than what we assumed in our plans. If that trend continues, we could experience better-than-expected performance into 2015.

Our assumed weighted average diluted shares outstanding assumption is based on recent average share price ranges. Also, we assume current exchange rates in order to project US dollar amounts for our ex-US businesses, and last, at this time, we assume the proceeds from -- excuse me, the divestiture of AMS remain on the balance sheet as unrestricted cash. We will update that assumption as the deployment of AMS proceeds becomes clearer.

Moving on to Slide 22. I will summarize our 2015 financial guidance that we announced earlier this morning. We expect revenues between $2.9 billion and $3 billion. Our adjusted basis, we expect our corporate gross margin, as a percentage of revenues to be between 63% and 65% in 2015.

Gross margins are expected to be relatively stable when compared to 2014. Favorable mix from the addition of Auxilium and improving gross margin trends within each of our businesses broadly offset the gross margin dilution from the divestiture of AMS.

On an adjusted basis, we expect operating expenses, as a percentage of revenue, to be in the range from 23% to 24%. The addition of new growth platforms in 2014 that are not yet annualized, including Paladin and Somar, as well as the addition of Auxilium, drives a modest year-over-year increase to our operating expense margins. What's important is that the increases are at levels that are consistent with our lean operating model principles.

Moving on with guidance, we expect adjusted interest expense in 2015 of approximately $310 million. We anticipate an adjusted effective tax rate of approximately 15% to 17% in 2015. The removal of AMS with its higher than corporate average rate, as well as our strategic tax planning in a number of areas, including the movement of certain intellectual property and use of NOLs, will further enhance the efficiency with which we convert operating income into cash flow from operations.

We estimate adjusted diluted earnings per share in a range of $4.35 to $4.55 and we project reported or GAAP diluted earnings per share to be within a range of $2.73 to $2.93. To reiterate, these results do not include the contribution of the AMS business. Our fully diluted per share estimates assume a weighted average number of common shares outstanding of approximately 180 million shares.

Finally, we expect continued improvement in our underlying cash conversion rate in 2015. Excluding the effects of settlement payments, we improved our cash flow from operations, as a percentage of adjusted EBITDA, from approximately 40% in 2013 to upper 40% in 2014.

Further improvements to our operating income profile, our effective tax rate and stable year over year to improving working capital levels are projected to lead to an underlying cash flow conversion rate above 50%. I am pleased with the performance in 2014 and excited about the opportunities that we have to continue with the transformation of Endo into a leading global specialty pharmaceuticals company.

Now let me turn it back to Rajiv to close out. Rajiv?

Rajiv DeSilva - *Endo International plc - President and CEO*

Thank you, Suky. Before we start the question-and-answer period, I would like to close out with a few brief thoughts. Looking back at the past two years, since I started at Endo, the progress of our strategy has exceeded my expectations and we continue to believe that the path we are on will create superior shareholder value.

We have taken significant strides forward, first, by rebasing the business for sustainable growth. We rightsized the cost base, improved our corporate structure, upgraded talent in the organization, divested non-core assets, focused R&D on near term opportunities, pursued bolt-on accretive acquisitions and optimized our base business.

We have started into our second phase, where we expect to pursue strategic acquisitions, access new platforms, launch pipeline assets for organic growth and rebuild our pipeline while opportunistically entering markets outside the US. Our strategy is to transform and position Endo for strong sustainable growth.

In 2014, we executed on our vision, as evidenced by the significant jump from our initial guidance of $3.40 to $3.65 per share, for full year 2014, adjusted diluted earnings per share to where we finished the year at $4.31 per share. Most importantly, in 2014, we have positioned Endo for continued growth in 2015 and beyond.

We have a strong balance sheet, a lean operating model, and a significant number of value-creating M&A opportunities ahead of us. We also have a broad set of sustained organic growth drivers and exciting near-term R&D pipeline opportunities.

That concludes our prepared remarks. Let me now turn the call back over to Keri to manage our question-and-answer period.

Keri Mattox - *Endo International plc - SVP IR & Corporate Affairs*

Thank you, Rajiv. That concludes our prepared remarks and we would like now to open the lines to your questions. In the interest of time, if you could limit your initial questions to allow us to get in as many as possible within the hour, we would appreciate it. Operator, may we have the first question please?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Your first question is from the line of Marc Goodman.

Marc Goodman - *UBS - Analyst*

Yes, good morning.

So first on the Generics business, there was a payment for the price increases there, so that hit in the quarter. Can you help quantify that and help us with the gross margin in the quarter? And then the adjustment on the international side, can you just talk about the adjustment and how we should think about that as far as gross to net and expenses moving into revenues?

Rajiv DeSilva - *Endo International plc - President and CEO*

So Marc, I'll have Suky handle those two questions.

Suky Upadhyay - *Endo International plc - EVP, CFO*

Sure. So from -- you're absolutely right, Marc. We talked about on the third quarter, we took a pricing action in the fourth quarter, which will benefit 2015 but ultimately resulted in some additional shelf stock as well as pricing adjustments in the fourth quarter. I would characterize those as being about worth roughly about 100 basis points to 150 basis points on gross margin in the Generics business in the fourth quarter.

Regarding international, you will see a stepdown in overall revenues between Q3 and Q4. It's really a product of a few things. One is, we did get impacted by a strengthening US dollar. We expect that to also impact our year-over-year comparisons in 2015 versus 2014.

Secondly, we did see some loss of exclusivity of products in our Paladin business, which actually happened later in the year in 2014 than expected. That was more of an impact in the Q4. We had originally expected that in Q3 so that was another reason for the stepdown into Q4.

The last is we made a change in our accounting approach to Somar revenues, specifically their distribution revenues. This is where Somar acts as a pass-through distributer prior to our change in the fourth quarter. They used to record those revenues on a gross basis, with the cost of those products recorded in cost of sales.

Based on revenue recognition and bringing that into our portfolio and our accounting methodology, we think it's more appropriate to record those revenues on a net basis with cost of sales so it modestly impacts our overall revenues in the -- excuse me, in the Somar business. I should mention, however, this does not, in any way, affect our outlook for that business, nor does it affect profitability or cash flow in any way. It's simply geography between cost of sales and revenues and ultimately does not impact our outlook on the valuation to support the purchase.

Marc Goodman - *UBS - Analyst*

How much did the accounting change the numbers?

Suky Upadhyay - *Endo International plc - EVP, CFO*

It's roughly about $15 million in the second half of 2014.

Rajiv DeSilva - *Endo International plc - President and CEO*

Marc, just to add to the Paladin answer, so when we talk about loss of exclusivity, this actually includes some meaningful products where there was a change in control clauses that we exercised, which was somewhat anticipated when we did the Paladin transaction to start off with.

Keri Mattox - *Endo International plc - SVP IR & Corporate Affairs*

Great. Operator, can we move on to the next question, please?

Operator

Your next question comes from the line of Chris Schott.

Chris Schott - *JPMorgan - Analyst*

Great, thanks very much for the questions. The first one here is, can you just elaborate on business development and the priorities at this point, particularly that comment about transformational deals? I just want to look at the significant repositioning and rebasing you went through in -- over the last, what, 18 months.

Is the organization more focused on these larger deals at this point than in the past? And when we think about those larger deals, could you just elaborate a little bit more on what we're looking for in those deals? Is it growth? Is it inefficient businesses? Is it EPS accretion? I'm just trying to understand a little bit more that piece of the M&A story?

And the second question is on the debt capacity leverage post the AMS transaction, can you just confirm where capacity will be? Where the leverage will be? That would be very helpful.

Thanks very much.

Rajiv DeSilva - *Endo International plc - President and CEO*

Sure.

Let me cover the first part of your question, Chris, and then Suky will talk about the debt capacity. So with respect to M&A, our views on what we would like to do have not changed dramatically from what we've talked about in the past, which is that we do like the small to medium-sized transactions.

We think we can make a meaningful difference with those types of transactions and given our size, they are still very meaningful for us. But as we have said in the past, we always remain open to more transformational opportunities that may come our way.

Certainly, the divestment of AMS and the potential to have some extra capital to redeploy increases the possibility for us to pursue those types of transactions. That being said and I think you know from our past actions that we are very prudent in terms of how we think about our financial analysis of potential companies that we buy and only will be guided by transactions that we believe will be value-creating for our shareholders.

In terms of types of transactions that we consider transformative, clearly, they would be either transactions that add to our organic growth profile in the future or add substantial critical mass to one of our businesses. Certainly, while near-term accretion is important, and we'll always continue to look for such transactions, the longer-term strategic importance is going to become more important for us. So Suky, maybe the debt capacity question?

Suky Upadhyay - *Endo International plc - EVP, CFO*

Sure, first, I'll start with base Endo. So we ended the year, at 12/31, with a leverage profile of about 3.2 and that included about $400 million on our balance sheet.

If you took a pro forma view for Auxilium, we ended the year at about 3.7, right in line with our expectations and recall, one of the attractive attributes of that deal was that we quickly delevered back down to the 3, below 3s within the 12-month period. Assuming a third quarter closing on AMS, we would see a profile with a little bit over $2 billion of cash on the balance sheet and a net leverage profile, which is probably the best way to look at that, in the mid-2s.

Chris Schott - *JPMorgan - Analyst*

Thanks very much.

Operator

The next question comes from the line of Randall Stanicky.

Randall Stanicky - *RBC Capital Markets - Analyst*

Hi, great. Thanks. Rajiv, you talked about an interest in expanding your international business and if we look at the 25% of revenue target, that implies, I would say roughly, or at least $500 million in revenue that you would be bringing in-house. What's your timeline to get there and then how do you balance out any capital to ex-US versus adding to your Generics business in the US? And then I have a follow-up for Suky.

Rajiv DeSilva - *Endo International plc - President and CEO*

Sure. So Randall, when we think about international aspirations, it is a medium-term aspiration and for the most part, while we will see attractive growth out of our existing platforms, clearly, we will have to do one or more meaningful transactions to get us to those levels that you're referring to.

We have no strict timetable, but certainly as you know, we like to do things quickly. So I would say there's an aspiration that we have somewhere over the next 18 to 24 months. But in the end, we will always be guided by the financial profile of each individual acquisition and that's how we will decide on transactions between segments. So back to your question on US Generics versus International, both segments are going to be important areas for us in terms of M&A opportunities.

Generics because of the strength of our performance, and there are still areas that we can build critical mass in Generics. In International markets, there are large segments that we have not yet entered, so we see both areas as being quite attractive from an M&A standpoint for us.

Randall Stanicky - *RBC Capital Markets - Analyst*

Are you at a point now where you would look at deals that were, perhaps, a little more pipeline driven than in the past given that you've reached critical mass in the topline and obviously, you've referred a lot to the medium to long-term growth sustainability? Is that something we could see you pivot to?

Rajiv DeSilva - *Endo International plc - President and CEO*

Well, I think certainly as I've said, I think we are now more to a point in our Business where we really are acutely focused on organic growth, either through delivery of our own pipeline or assets that we buy. So certainly as we look at transactions, we will be paying close attention to organic growth. That being said, we do not expect to do transactions that don't fall in the category of being accretive within the first 12 to 18 months, as well.

Randall Stanicky - *RBC Capital Markets - Analyst*

Got it. And then Suky, a quick one for you. The tax rate guidance is lower than it has been in the past. Should we be thinking about the tax profile of acquired EBITDA down into that 15% to 17% range going forward?

Suky Upadhyay - *Endo International plc - EVP, CFO*

Yes, so the 2015 guidance does benefit by some attributes that we brought over with Auxilium but it also, on an underlying basis, is improved by continuing to expand on our strategies that we started with our Paladin acquisition. And we do have some IP planning that goes into that rate into 2015 as well as some additional transfer pricing benefits. Ultimately, we see a sustained rate in the upper teens and with opportunity to bring that down over time.

Randall Stanicky - *RBC Capital Markets - Analyst*

Got it. Okay, thanks.

Operator

Your next question comes from the line of Annabel Samimy.

Annabel Samimy - *Stifel Nicolaus - Analyst*

Hi, thanks for taking my question.

I had a question about actually the gross margins, the gross margin guidance. Clearly, AMS was a pretty high margin business, but so was Auxilium, and you also benefit from some of the pricing action that you took in Generics. So, I guess I'm a little bit confused about the gross margin guidance staying pretty much the same as last year; so maybe you can give us some color there on any extraneous items that we're not thinking about.

Suky Upadhyay - *Endo International plc - EVP, CFO*

Yes, so I think you've got the moving pieces. You're exactly right. Barring any other improvements, AMS had a $500 million revenue and mid-70%s gross margin would have had a significant dilutive effect on our overall gross margin profile.

In addition, if you think about the entrants, generic entrants around LIDODERM, as well as V-Gel, both of which are high margin products, you would have seen, again, even further dilution. We were able to essentially offset both of those negative events, both AMS, as well as generic entrants by the accretion or the improved margin profile in generics as well as Auxilium.

Annabel Samimy - *Stifel Nicolaus - Analyst*

I see, but there's no impact from any of the generics pricing action?

Suky Upadhyay - *Endo International plc - EVP, CFO*

There is. That, in tandem with Auxilium's favorable gross margin profile, completely offset the dilution that we'll see from AMS, as well as the loss of exclusivity from V-Gel and additional LIDODERM entrants.

Rajiv DeSilva - *Endo International plc - President and CEO*

Annabel, even within Generics, there are some moving parts, so while the pricing actions give us some gross margin benefit, we also anticipate new competition for some of our higher margin generic products like the Hydrocodone APAP combination from Boca. So there's some offsetting impacts.

Suky Upadhyay - *Endo International plc - EVP, CFO*

The other thing I'd say, Annabel, is we exited fourth quarter in Qualitest in high 40%s, from a gross margin perspective. We'd expect that business to be in the low 50%s going into 2015 and believe we can hold that on a sustained basis.

Annabel Samimy - *Stifel Nicolaus - Analyst*

Okay, great. And can you just help us or maybe lay out some of the Auxilium growth initiatives that you might have planned, now that it's integrated in-house?

Rajiv DeSilva - *Endo International plc - President and CEO*

Sure.

So first of all, our integration has gone very well, faster than planned. We typically shoot to complete our personnel notification within 30 days of close of a transaction but we actually were able to do that within one week, including the sales organization. The sales organization is now fully trained and redeployed to new territories. So all of that is on track and moving well.

I would say there are a couple of areas of real focus for us with respect to the ex-Auxilium brands. First of all, XIAFLEX: we were quite pleased with how the product continued to perform into the back end of 2014, and in our integration, we've taken particular care to make sure that we retained as many ex-Auxilium reps, representatives who have XIAFLEX relationships as possible.

So a real focus on making sure our field effort is optimal on XIAFLEX, as well as the reimbursement support efforts, and then STENDRA. I think STENDRA is a product which we think has some real potential. The 15-minute onset-of-action indication is a differentiator, but all of this came pretty late in 2014.

It's in a very crowded market and the field force approach and the resource deployment approach that Auxilium took to the brand may or may not have been optimal. So we are looking to really revamp that over the course of the next three months and hoping to see some meaningful impact on that brand by the back end of this year.

Annabel Samimy - *Stifel Nicolaus - Analyst*

Are we going to see granularity on those products going forward?

Rajiv DeSilva - *Endo International plc - President and CEO*

We have not yet fully landed on exactly what granularity we will provide, because since we now have a much more expanded product portfolio. But we will be clear on that by the time we get to our first quarter earnings.

Annabel Samimy - *Stifel Nicolaus - Analyst*

Great, thank you.

Operator

Your next question comes from the line of Gary Nachman.

Gary Nachman - *Goldman Sachs - Analyst*

Hi, good morning.

First just to follow up on Auxilium. Specifically, on the synergy targets, any changes to how you're thinking about that at this point and what's factored in your SG&A guidance specifically? And then on the 2015 guidance, I want to confirm that there aren't any additional price increases in there that you factored.

Suky Upadhyay - *Endo International plc - EVP, CFO*

Sure, so on the synergy targets, we remained consistent with the $175 million, which we expect to achieve within the first 12 months of the acquisition. And then, on price increases, Gary, we take a very modest view as to price increases, both in Branded, as well as Generics, which looks very much like CPI Plus.

Gary Nachman - *Goldman Sachs - Analyst*

Okay and then last one, Rajiv, specifically on the Women's Health part of the business in AMS, what do you think you can do there strategically? If you can't end up divesting it for whatever reason, could you bring it back into the business or would you just wind it down? What are you thinking at this point?

Rajiv DeSilva - *Endo International plc - President and CEO*

Thanks, Gary.

So with respect to the Women's Health business, this is a business whose products still continue to make a real impact in the lives of our patients, and we are acutely aware that we play a meaningful role in terms of therapies for our vaginal products, as well as stress urinary incontinence. And I think you heard our reasons for why we separated that business from the others for -- from a sale perspective. And we are continuing to evaluate expressions of interest for that business. And I would say at this point, our employees, customers and our patients would continue to expect full commitment from Endo to this business.

Suky Upadhyay - *Endo International plc - EVP, CFO*

And Gary, this is Suky again, to follow up on my pricing discussion. So consistent with the past, we generally put a relatively muted view into price into our forward-looking projections; however, as I said in my scripted remarks, if the performance that we saw in 2015 were to play out at some level again, we could see some potential upside into 2015.

Gary Nachman - *Goldman Sachs - Analyst*

Okay, thanks for that.

Operator

Your next question comes from the line of Liav Abraham.

Liav Abraham - *Citigroup - Analyst*

Good morning. First question is around XIAFLEX. Can you just comment on where reimbursement dynamics around the drug currently stand and how you plan on increasing physician comfort around buying and billing for XIAFLEX?

And second question around sales force incentivization, particularly the Auxilium sales force following the closure of the deal. I was wondering to what extent the incentivization of the sales force under the Endo umbrella differs from that end of the Auxilium umbrella, particularly for the XIAFLEX sales force, given the importance of this drug as a growth driver for Endo?

Thank you.

Rajiv DeSilva - *Endo International plc - President and CEO*

Sure.

So on the two questions on XIAFLEX reimbursement, we actually think it's in a pretty good place from a reimbursement standpoint. A lot of the improvements that have had to be made over time is actually reimbursement support for physicians and that's partially one of the things that's going to improve physician comfort around the buy and bill business methodology.

A lot of improvement has been made over that and one of the benefits with Endo is that we've had a similar effort around AVEED so the combined efforts between XIAFLEX and AVEED, I think, are pretty good system set-up including some very credible third parties who are working with us. So that would be the primary mechanism for getting greater comfort around the buy and bill part of the business.

With respect to Auxilium and the sales representatives and the sales force incentives, so whenever we buy companies, we always have a process of reconciling our sales force incentives. Our general approach to incentives is on par with others in the industry. We do have ECIA under which we operate, so we have some specific requirements that we have to fulfill as well.

But I'm pleased to say that and having just gone through the integration efforts with Auxilium, we've been able to, by and large, marry the two incentive systems together. And where appropriate, we will also use equity to incentivize sales management as well. So all in all, so far so good. With all of these things, we kind of take a look back through six months and see how we're doing but right now, I think we're in good shape.

Liav Abraham - *Citigroup - Analyst*

Great, thank you.

Operator

Your next question comes from the line of Corey Davis.

Rajiv DeSilva - *Endo International plc - President and CEO*

Corey?

Corey Davis - *Canaccord Genuity - Analyst*

Sorry, had the wrong line. Can you hear me now?

Rajiv DeSilva - *Endo International plc - President and CEO*

I can hear you now.

Corey Davis - *Canaccord Genuity - Analyst*

Can you help us better understand the progression of EPS in the quarters without giving specific guidance, and how the EPS and revenue should progress sequentially, especially given some of the generic entry assumptions that you gave us. Is it likely to go up sequentially or be more flattish or lumpy? And then I have a second question as well.

Suky Upadhyay - *Endo International plc - EVP, CFO*

Yes, hi Corey. This is Suky.

You're right; there are a lot of moving parts within the year. Broadly, the way I try to simplify this is we see both revenue and EPS splitting about 50/50 between first half and second half. And then to get a little bit more precise on the first half of the year, we would expect that balance to be tilted towards the second quarter because of the timing of the acquisition around Auxilium coming partially way through Q1.

Corey Davis - *Canaccord Genuity - Analyst*

Okay, thanks. That helps and if you do get final approval for BELBUCA, or BELBUCA, is it? In October. BELBUCA, thank you. Would you be able to launch it this year, or do you have to wait for DEA approval, so would that be more of a 2016 event?

Rajiv DeSilva - *Endo International plc - President and CEO*

I would generally think about this as a 2016 launch, again assuming approval by the PDUFA deadline. There's usually some time between approval and the DEA classification of the product, which will take some time and then we'll obviously have to get prepared for the launch itself. And certainly from our standpoint, we're not going to stand in the way of launching it, right? So we will launch it as soon as practical, but realistically, I would look to 2016 as the launch year.

Corey Davis - *Canaccord Genuity - Analyst*

Okay, great. Thanks.

Operator

Your next question comes from the line of Gregg Gilbert.

Gregg Gilbert - *Deutsche Bank - Analyst*

Yes, thanks. First on XIAFLEX. I know Rajiv, you said you'd provide an update on the pipeline there. But I'm curious about cellulite and frozen shoulder and what the gating factors are for you communicating more. Is it simply hammering out Phase IIb or Phase III protocols with the FDA, or are you reconsidering any aspects of that? And then I have a follow-up.

Rajiv DeSilva - *Endo International plc - President and CEO*

Sure. So with cellulite, we are in the process of doing exactly what you were saying, which is finalizing the approach to a Phase IIb and a late-stage trial strategy on the product. Discussions with the FDA have been very productive, so we're hopeful that over the course of the coming months, we will have sufficient information to give an update. And frozen shoulder, we expect the results of that trial to be fully analyzed over the next few weeks.

And again, we'll be in a position to talk about how that stacks up in terms of our forward-looking approach as well, and beyond that, there are other indications of XIAFLEX that are either under evaluation at our partner, or under current consideration that we will talk about, as well.

Gregg Gilbert - *Deutsche Bank - Analyst*

Okay, and then my other questions about V-Gel. Your assumptions there are pretty specific for 3Q, so my question is that based on some info you have that we don't, or is that just your best guess at this time and can you participate within AG or other life cycle management initiatives to soften the blow if that does occur? Thanks.

Rajiv DeSilva - *Endo International plc - President and CEO*

Sure, again, this is unfortunately a product, which we traditionally have not said very much simply because of the partnership with Novartis and our respect for their own decision-making on the product. The assumption around generic, honestly, is a guess.

And as we said in the past, this is not an easy product to genericize. It requires a full clinical trial. It's a low concentration of diclofenac, so it's going to require large trials for someone to show a parity with this product. With that being said, we've been prudent in terms of our expectations for potential generic entry over the back end of this year, and we are in ongoing discussions with Novartis, which are very productive about the next phase of life might look like for V-Gel if there's a generic.

Gregg Gilbert - *Deutsche Bank - Analyst*

Thanks.

Operator

Your next question comes from the line of David Amsellem.

David Amsellem - *Piper Jaffray - Analyst*

Thanks.

I just had a couple of questions on the Generics business. First, in terms of M&A, can you specifically talk about what kind of alternative dosage forms are interested -- are of interest to you in the context of M&A? And then on the ANDA pipeline, maybe talk about how many CROs you have in place for ANDAs or give us some color on the maturity of the ANDA pipeline?

Rajiv DeSilva - *Endo International plc - President and CEO*

Sure. Let me just clarify one question. So when you talk about CROs, you're referring to our branded business? Or what are you referring to?

David Amsellem - *Piper Jaffray - Analyst*

I'm talking about for generics.

Rajiv DeSilva - *Endo International plc - President and CEO*

Okay.

So, with the Generics business, if you start with our verticals that we are in, clearly, we have a position of strength in controlled substances. We have a meaningful presence in liquids and solutions and then we have, and as we've described in the past, a approach to historical products that many larger companies don't take, so we have a pretty diverse portfolio. But that leaves a large set of verticals that we're not in, right?

So I'm not going to specifically identify which ones we are looking for. But certainly if we think about things like injectables, semi-solids, those types of areas, we are still not strong in, so it leaves a wide range of possible areas where we could continue to look for new assets. With respect to our Generics ANDA pipeline, so we take a multi-pronged approach to the ANDA pipeline.

We have established our own R&D Group, which is now fully functional in New Jersey that -- so we, for the most part, the minimal studies that are required which are mostly PK studies, we do ourselves, but as needed, we use others. We also use partnerships quite a bit in the generic space to develop products. So, there's no single partner that's very meaningful for us as a development partner.

David Amsellem - *Piper Jaffray - Analyst*

But do you have a sense of how old the filings are on average. I mean, how much filings are filed within two years or 30 months? I'm just trying to get a sense of the maturity of the ANDA pipeline?

Rajiv DeSilva - *Endo International plc - President and CEO*

I think we've described the ANDA pipeline in the past as one that we expect to come to fruition within the next three to four years and that's largely still the case. And as you might imagine with a generic company, the ANDA pipeline is a constantly moving and fluid entity of -- we launch products out of the pipeline. We add new ANDAs.

And as we get information from the FDA about existing ANDAs, we sometimes adjust our expectations or remove them from a pipeline, as well. So on an ongoing basis, I would say our pipeline is very robust. We have probably a good somewhere between 75 and 100 different pipeline projects in all different phases. It could be ANDAs, could be things that we're working on. And we would think that's sufficient to sustain the business from an organic growth standpoint for the next three to four years.

David Amsellem - *Piper Jaffray - Analyst*

Thank you.

Operator

Your next question comes from the line of Elliot Wilbur.

Elliott Wilbur - *Needham & Company - Analyst*

Thanks, good morning.

Maybe switching gears a little bit in terms of thinking about the new growth verticals within the branded pharmaceutical business. Could you maybe just give us a sense at this point what the relative sales force sizes are within each of the growth verticals, or maybe more importantly, just sort of what the key focus products are within each?

And as a follow-up to that, you have a lot of, I guess what you'd subscale assets, in thinking about assets like VALSTAR and VANTAS, and perhaps even SUPPRELIN LA, which arguably don't meet the Company's topline growth profile or objectives, but are obviously attractive assets, in terms of their duration and given a lack of generic risk. But just how are you thinking about smaller assets like that, that maybe don't have the growth characteristics of some of the more high-profile assets yet still have good long-term value?

Rajiv DeSilva - *Endo International plc - President and CEO*

Sure.

Good question. So in terms of our business structure, we have three primary business verticals within our branded business, which is pain, urology and then specialty pharmaceuticals, which is basically XIAFLEX and some other products. Now the other thing that we have done with our new restructuring that we have created another entity, which essentially we have a General Manager who is going to look after our mature and smaller products like VANTAS, VALSTAR, et cetera.

So while those are perhaps not all our high growth assets, given the stage of development for the Company, they are very important source of cash at this point. So we continue to maximize the value of those smaller assets. In terms of your question on the field force, we don't intend to break down the size of our field force by business, just for competitive reasons, but broadly speaking, after the integration, we have roughly about 375 sales representatives.

So if you add managers into that, you roughly get to a number of about 400, plus or minus. And in terms of lead products, if you take our urology business, the lead products are STENDRA, and NATESTO, along with FORTESTA. In our pain portfolio, it is OPANA ER, which we still continue to promote, and VOLTAREN GEL, as well as SUMAVEL and FROVA. And then the specialty business is divided into two subcomponents, one is urology specialty, which would basically have XIAFLEX and AVEED and TESTOPEL. And then the other sleeve in that business is focused on orphan diseases, so that carries Dupuytren's contracture for XIAFLEX and SUPPRELIN LA for precocious puberty.

Operator

Your next question comes from the line of Andrew Finkelstein.

Andrew Finkelstein - *Susquehanna Financial Group - Analyst*

Thanks for taking the question.

Maybe one high level question and a couple of specifics. But with M&A and the return characteristics you've talked about for what you want to achieve in terms of IRR and pay back, how does that relate to deal size and for a larger or smaller deals, are those criteria more or less flexible? And then specifically you talked about some changes to the portfolio internationally.

Can you just be -- clarify the baseline for organic growth, how you think about what the number is for 2014 that we should be using to calculate that organic growth target and then with the sales teams that you just outlined, any thoughts about whether you would add for a BELBUCA launch? Thanks.

Rajiv DeSilva - *Endo International plc - President and CEO*

Sure, so let me start quickly with the M&A question. Suky has talked in the past about our criteria which I won't go back over in great detail, but as we've discussed in the past, we have a near-term accretion goal, we have the IRR goal of the mid-teens, cash payback periods and generally in the portfolio basis, organic growth is an important driver.

So as we look at larger transactions, we are very careful that we don't relax our standards, because for us, I think our ability to create value for our shareholders is dependent on us sticking to a very rigorous set of criteria. But what I would say is that there are some elements of those, the criteria that may be relaxed for larger transaction that brings a lot of organic growth.

For example, you may be willing to put up with a slightly longer duration until you get your accretion. But within that 12 to 18 month period you may be willing to put up with slightly longer cash payback period if there's high growth assets with the pipeline. But outside of that, we really don't deviate from our financial rigor when we think about transactions. Let me actually ask Suky to maybe talk a little bit about the international segment and then I'll take your -- the last part of your question.

Suky Upadhyay - *Endo International plc - EVP, CFO*

Yes, I think if you looked at the fourth quarter and you annualize that, that's probably a good starting point for growth into 2015. I will say that, however, currency year over year into 2015 will continue to dampen our growth profile into 2015. Also as Rajiv has mentioned, there are a few additional products into 2015 in our Paladin portfolio that will come off because of a change in control provisions. But again, in many ways we see 2015 as sort of a year of clean up in a lot of the businesses and rebaselining for growth profile that we still consider to be in the high single digits to low double digits over the mid to long term.

Rajiv DeSilva - *Endo International plc - President and CEO*

And this is not that surprising given that, for the most part, when we buy international platforms, there's a -- and private companies that require some restructuring. And Somar is an example of how we thought differently about the distribution business, for example. And similarly having now bought out the remaining shares of Litha, we are in the process of evaluation of how that business should be restructured for the future going forward, as well.

So we really do expect to see 2016 as the first year of meaningful growth towards the double digit aspiration that we put out in the past. In terms of your question on BELBUCA, and our expectations given the -- our heritage of strength in the area of pain that we will be able to launch our product with existing field resources but certainly, if the potential for the product continues to expand, we will not be shy about expanding either field resources or other promotional levers around the product if it is approved.

Operator

Your next question comes from the line of Jason Gerberry.

Jason Gerberry - *Leerink Swann - Analyst*

Good morning. Thanks for taking the questions.

I jumped on the call a little bit late, so apologize if this has already been asked but the guidance for the generics in 2015, can you just remind us, I think, Rajiv, in the past, you said of the outstanding ANDAs that they would probably get approved in 2015, 2016, 2017, about a third, a third, and a third. So just curious what you're assuming for pipeline contribution in 2015 and then I'm not sure if this was provided but can you give us the full-year 2014 numbers for Auxilium and XIAFLEX sales?

Thanks.

Rajiv DeSilva - *Endo International plc - President and CEO*

Just on your second question, since the transaction closed only in January, we are not providing full-year numbers for Auxilium. So that we will not be providing and certainly, we will provide starting first quarter updates on the legacy Auxilium product with some level of detail that we have not yet fully decided.

And with respect to your question on the generics. So what we've said about generics is that we expect yet another year of strong double digit growth from that business. New products and volume are going to be the primary contributors for that. So I think when we talk about our previous ANDA pipeline comments, we've seen some of those ANDAs launch, we added a new one to the pipeline. We reconfigured some of the existing projects. But overall, if you take the totality of our ANDA pipeline, the expectation is that they will come to fruition over the next three to four years so it's in line with what your previous expectation would have been.

Jason Gerberry - *Leerink Swann - Analyst*

Thank you.

Operator

Your next question comes from the line of Shibani Malhotra.

Austin Nelson - *Sterne, Agee & Leach - Analyst*

Hi, this is Austin Nelson on for Shibani. First question is just on the AMS sale. Is that technically an asset sale and if it is, and since it's all cash, is there a potential for it to close maybe a little earlier than the 3Q 2015 guidance?

Suky Upadhyay - *Endo International plc - EVP, CFO*

You're correct. It is an asset sale. That really shouldn't drive the closing of the transaction, so I'm not sure if that gets to your question.

Rajiv DeSilva - *Endo International plc - President and CEO*

As you know, Austin, there are in situations like this, there are regulatory filings of both companies need to go through and there are other customer closing conditions, as well as we need to complete the separation of the Men's and Prostate and Health business from Women's Health. So which is why we are guiding towards third quarter of 2015. And with that being said, I don't think neither company will stand in the way of earlier closing if that's viable.

Suky Upadhyay - *Endo International plc - EVP, CFO*

I think to your point, it doesn't require any shareholder votes so that's one step that's eliminated.

Austin Nelson - *Sterne, Agee & Leach - Analyst*

Okay, great and then just quickly on the Generics business and M&A, you touched on briefly how there are a number of verticals that you have -- you can still look to add? And I'm wondering if it's -- you'd be willing to look for capabilities from a smaller, more virtual company versus manufacturing? And do them separately? And then beyond that, if you see an international opportunity that doesn't have products registered in the US, would you look to add that into your international business and then with the view of registering products in the US through your generics organization you have now?

Rajiv DeSilva - *Endo International plc - President and CEO*

Yes, those are all three great ideas, right? So we explore all of those so we are not wedded to manufacturing all of our own products. So certainly we would consider virtual arrangements and virtual partnerships in order to expand the Business. And as one very productive area of inquiry for us is, in fact, looking at generic companies ex-US, which will have the benefit of both increasing our international presence, but also giving us access to new products shipping to the US so absolutely yes.

Austin Nelson - *Sterne, Agee & Leach - Analyst*

Okay, thank you. Congratulations on a great quarter.

Rajiv DeSilva - *Endo International plc - President and CEO*

Thank you.

Suky Upadhyay - *Endo International plc - EVP, CFO*

Thank you.

Operator

Your next question is from the line of David Risinger.

David Risinger - *Morgan Stanley - Analyst*

Thanks very much.

So, I guess it would be helpful to just better understand the high single to low double digit revenue guidance. I'm guessing that's starting in 2017 but I'm not sure when you say mid to long term. And then Suky, if you could just help us understand what you're assuming for Voltaren marketing rights durability in that longer-term revenue guidance forecast, that would be helpful, as well. Thank you.

Rajiv DeSilva - *Endo International plc - President and CEO*

Sure. Thanks David.

So when we talked about our high single digit to low double digit growth trajectory, we kind of deliberately talked about it as medium-term aspiration simply because there are moving parts still in the business in 2015, right? For example, the LIDODERM loss of exclusivity, the potential VOLTAREN GEL generic et cetera. So it is possible that we will get to that aspiration 2016, but 2017 is also a possibility if, in fact, some of those events get pushed into 2016, if you see what I mean.

And the second part of your question, I've --? So that hopefully answers your high single digit to low double digit growth question and -- VOLTAREN, okay, VOLTAREN GEL.

So V-GEL, we are making, I think as you know, we've made an assumption with respect to the potential generic in the back half of this year but as we've said before, absent that, our current agreement with Novartis runs through some time in mid-2016. And we have an ongoing dialogue with the Company with respect to what might happen post that.

You're right. If there's no generics on the market and also what the response could be if there's a generic. As you probably know this part of the business at Novartis is managed through its Consumer Health business, which is in the process of a combination with GSK's Consumer Health business. So some of the decision-making has been delayed a little bit, but we are hopeful that one-step transaction has concluded that we can complete our discussions.

Austin Nelson - *Sterne, Agee & Leach - Analyst*

Thank you.

Operator

Your final question comes from the line of Tim Chiang.

Tim Chiang - *CRT Capital Group LLC - Analyst*

Hi, thanks.

Rajiv, first of all, congratulations on selling the Men's Health business to BSX. I had a question just following up on the Women's Health segment. In the case that you can't sell that business, what are the contingency plans for that? Do you think you could still get that business back to growth this year?

Rajiv DeSilva - *Endo International plc - President and CEO*

No, I think as I said, Tim, the first and foremost market where we are a important contributor, our products make a big difference in patient's lives and that's our first priority in making sure that in the separation, that we make sure that the Women's Health business is a viable entity going forward, either in our hands or in the hands of someone else.

And what I would say is that the market continues to be weak, particularly in the area of prolapse. We still continue to see declines. With that being said, the products are gold standard in the area of stressed urinary incontinence, so our expectation is that sometime in the near future, that the market will begin to recover.

And part of this is also tied to the fact that while we have made substantial progress in putting our US liabilities behind us with our settlements, not all of the manufacturers have done that, right? So as far as that plays into this market, market conditions as well. But so we normally expect it to be a difficult market in the very near term but expect that we should recover in the medium term.

Tim Chiang - *CRT Capital Group LLC - Analyst*

Okay, and Suky, I just had one follow-up question on the tax rate guidance you provided, 15% to 17%. Is that much more heavily weighted to the back half of this year, or is it something you think you can get to in early 2015?

Suky Upadhyay - *Endo International plc - EVP, CFO*

Yes, we think we can get there in early 2015. It's pretty evenly distributed throughout the year.

Tim Chiang - *CRT Capital Group LLC - Analyst*

Okay.

Suky Upadhyay - *Endo International plc - EVP, CFO*

But there will always be a few bumps from quarter to quarter, but broadly, it's evenly distributed.

Tim Chiang - *CRT Capital Group LLC - Analyst*

Okay, great. Thanks a lot.

Keri Mattox - *Endo International plc - SVP IR & Corporate Affairs*

Great. Operator, I think that's all of our calls, so I believe we're wrapped up for today. Thank you so much, everyone, for joining us this morning.

Operator

Ladies and gentlemen, that concludes today's conference. Thank you for your participation. You may now disconnect. Have a great day.