# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**Washington, D.C. 20549**

# FORM 8-K

**CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

**Date of Report (Date of Earliest Event Reported): November 4, 2009**

# PDL BioPharma, Inc.
**(Exact name of Company as specified in its charter)**

**000-19756**
**(Commission File Number)**

| **Delaware** | **94-3023969** |
|---|---|
| **(State or Other Jurisdiction of Incorporation)** | **(I.R.S. Employer Identification No.)** |

**932 Southwood Boulevard**
**Incline Village, Nevada 89451**
**(Address of principal executive offices, with zip code)**

**(775) 832-8500**
**(Company's telephone number, including area code)**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the Company under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**Item 7.01. Regulation FD Disclosure.**

On November 4, 2009, the Company made a presentation at the Oppenheimer Healthcare Conference in New York City (the "Oppenheimer Conference"). A copy of the Company's presentation materials has been posted on the Company's website and is attached hereto as Exhibit 99.1.

The information in this Item 7.01, including Exhibit 99.1, is being furnished and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities under that Section, and shall not be deemed incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

**Item 9.01. Financial Statements and Exhibits.**

(d) Exhibits.

| Exhibit No. | Description |
|---|---|
| 99.1 | Oppenheimer Conference presentation given on November 4, 2009. |

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

PDL BIOPHARMA, INC.
(Company)

By: /s/ JOHN P. MCLAUGHLIN
**John P. McLaughlin**
**President and Chief Executive Officer**

Dated: November 17, 2009

**EXHIBIT INDEX**

| Exhibit No. | Description |
| --- | --- |
| 99.1 | Oppenheimer Conference presentation given on November 4, 2009. |

Exhibit 99.1

# *Oppenheimer*
## *20th Annual Healthcare Conference*
### *November 4, 2009*

# Forward Looking Statements

This presentation contains forward-looking statements, including PDL's expectations with respect to its 2009 royalty revenues, expenses, net income, and cash provided by operating activities.

Each of these forward-looking statements involves risks and uncertainties. Actual results may differ materially from those, express or implied, in these forward-looking statements. Factors that may cause differences between current expectations and actual results include, but are not limited to, the following:

- The expected rate of growth in royalty-bearing product sales by PDL's existing licensees;
- The relative mix of royalty-bearing products manufactured and sold outside the U.S. versus manufactured or sold in the U.S.;
- The ability to receive regulatory approvals to market and launch new royalty-bearing products and whether such products, if launched, will be commercially successful;
- Changes in any of the other assumptions on which PDL's projected royalty revenues are based;
- The outcome of pending litigation or disputes; and
- The failure of licensees to comply with existing license agreements, including any failure to pay royalties due.

Other factors that may cause PDL's actual results to differ materially from those expressed or implied in the forward-looking statements in this presentation are discussed in PDL's filings with the SEC, including the "Risk Factors" sections of its annual and quarterly reports filed with the SEC. Copies of PDL's filings with the SEC may be obtained at the "Investors" section of PDL's website at www.pdl.com. PDL expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in PDL's expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based for any reason, except as required by law, even as new information becomes available or other events occur in the future. All forward-looking statements in this presentation are qualified in their entirety by this cautionary statement.

# Agenda

- **Overview of PDL BioPharma**
- 2009 Guidance & Outlook
- Optimizing Stockholder Return

# PDL - Company Background

- PDL pioneered the humanization of monoclonal antibodies which enabled the discovery of a new generation of targeted treatments for cancer and immunologic diseases
- PDL's primary assets are its antibody humanization patents and royalty assets which consist of its Queen et al. patents and license agreements
- Licensees consist of large biotechnology and pharmaceutical companies including Roche/Genentech, Elan/BiogenIDEC, Wyeth, and Chugai



PDL BioPharma™

# PDL Mission

- Manage patent portfolio
- Manage license agreements
- Optimize return for shareholders

# Optimizing Return

- **Reduce expenses**
  - Reduced staff to less than 10 persons
  - Relocated to Nevada to eliminate state taxes
- **Increase revenue**
  - Audit existing licensees
  - Seek additional licenses
- **Reviewed monetization alternatives**
  - Sale of some or all of royalties to royalty buyer
  - Royalty buy out/buy down by one or more of licensees
  - Securitization or high yield debt - $300 million securitization transaction closed Monday, November 2
- **Tax structure**
  - No structure could be identified to improve tax efficiencies for federal tax purposes



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# PDL - Select Licensed Products

| Licensee | Product | Status | Indications |
|---|---|---|---|
| **Roche (Genentech)** | Avastin | Approved<br><br><br><br>Phase 3 | Colorectal Cancer<br>NSCLC<br>Metastatic Breast Cancer<br>Gliobastoma<br>Metastatic Renal Cell Carcinoma<br>Ovarian cancer<br>Prostate cancer<br>Adjuvant settings |
| | Herceptin | Approved | Metastatic Breast HER2+ Cancer |
| | Lucentis | Approved<br>Phase 3 | AMD<br>RVO<br>DME |
| | Xolair | Approved<br>Phase 3 | Moderate-Severe Asthma<br>Pediatric Asthma |
| **MedImmune** | Synagis | Approved | Respiratory Syncytial Virus |
| **Elan/BIIB** | Tysabri | Approved | Multiple Sclerosis |
| **Roche/Chugai** | Actemra | Approved (EU& Japan) | Rheumatoid Arthritis |
| **Wyeth** | Mylotarg | Approved | Acute Myeloid Leukemia |
| **Pfizer/J&J** | Bapineuzumab | Phase 3 | Alzheimer's Disease |
| **Lilly** | Solanezumab | Phase 3 | Alzheimer's Disease |



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| | Lucentis | Approved | AMD |
| | Xolair | Approved<br>Phase 3 | Moderate-Severe Asthma<br>Pediatric Asthma |
| **MedImmune** | Synagis | Approved | Respiratory Syncytial Virus |
| **Elan/BIIB** | Tysabri | Approved | Multiple Sclerosis |
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| **Pfizer/J&J** | Bapineuzumab | Phase 3 | Alzheimer's Disease |
| **Lilly** | Solanezumab | Phase 3 | Alzheimer's Disease |

✓Roche filed a supplemental application for approval for the treatment of gastric cancer in EU

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| | Lucentis | Approved<br>Phase 3 | AMD<br>RVO<br>DME |
| | Xolair | Approved<br>Phase 3 | Moderate-Severe Asthma<br>Pediatric Asthma |

- ✓A supplemental application for approval for the treatment of pediatric asthma has been scheduled before FDA Advisory Committee on Pulmonary-Allergy Drugs Advisory Committee on November 18
- ✓The FDA began a safety review of Xolair after preliminary data from a long term safety study being conducted by Genentech showed an increased risk of heart attack, abnormal heart rhythm, heart failure and stroke in treated patients - final results from the study are due in 2012



PDL BioPharma

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| **Pfizer/J&J** | Bapineuzumab | Phase 3 | Alzheimer's Disease |
| **Lilly** | Solanezumab | Phase 3 | Alzheimer's Disease |

✓Roche forecasts that it will file a supplemental application for approval for the treatment of retinal vein occlusion in 2010 based on positive results from two Phase trials in this patient population



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- ✓Roche announced two-year results from a Phase III study, which showed that people with rheumatoid arthritis who received either a 4 mg/kg or 8 mg/kg dose of Actemra in combination with methotrexate, had no progression of joint damage, (75% and 83%, respectively, as assessed by radiograph) compared with people who received methotrexate alone (66%)
- ✓Roche filed a supplemental application for approval to expand RoActemra's (EU trade name) label to include slowing progression of joint damage and improvement of physical function
- ✓Roche expects a response from FDA by January 2010 on its US application for approval for the treatment of rheumatoid arthritis



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- ✓EU is reviewing the risks and benefits of Tysabri after reports of 24 cases of PML
- ✓Biogen Idec has amended US label to state occurrence of PML in patients treated 24-36 months is similar to 1:1,000 seen in clinical trials.
- ✓As of September 2009, BIIB estimates that over 46,000 patients are currently on therapy



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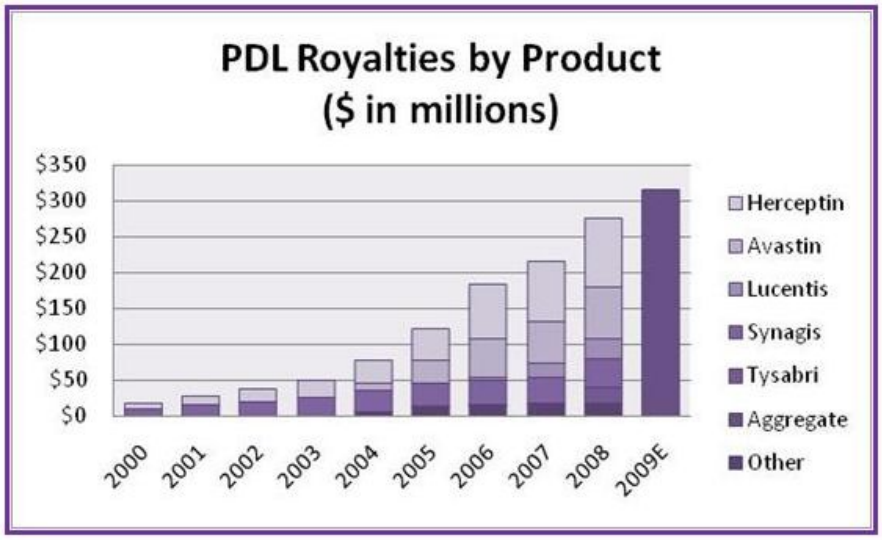
# PDL - Royalty Revenue & Queen et al. Patents

- PDL's revenues consist of royalties generated on sales of licensed products:
  - Sold before the expiration of the Queen et al. patents, or
  - Made prior to the expiration of the Queen et al. patents and sold anytime thereafter



# PDL - Legal & Queen et al. Patents

- **Genentech –** settlement in 2003 upheld validity and enforceability of patents
  - Multiple product license with tiered fee structure
  - Option for four additional antigens exercised in 2008
- **Alexion** – settlement in December 2008 upheld validity and enforceability of patents
  - License for Soliris in exchange for $25 million
  - Option for additional licenses at 4% royalty
- **MedImmune** – in December 2008, filed declaration of invalidity and non-infringement
  - MedImmune has paid royalties since 1998; most recently in August 2009
  - PDL believes that its exercise of its rights under the MedImmune agreement precludes MedImmune from being entitled to a lower royalty rate
- **UCB Celltech** – in September 2008, notified PDL that it does not intend to pay royalties on sales of Cimzia
  - In February 2009, US Patent Office declared an interference proceeding between certain claims of Queen et al. patents and pending claims of Adair et al.
  - UCB Celltech is the assignee of the Adair et al. patent



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# PDL - Convertible Notes

- **$250 million 2.75% convertible subordinated notes due August 2023**
  - Bought back $50 million in open market purchases through 3Q09
  - Conversion rate is 131.0339 shares per $1,000 face amount ($7.63/share)
    - Will adjust in connection with December 2009 dividend
  - Holders have a put right in August 2010, August 2013, and August 2018
  - Price as of October 30th was 113 vs. stock price of $8.40
- **$250 million 2.00% convertible senior notes due February 2012**
  - Bought back $22 million in open market purchases through 3Q09
  - Conversion rate is 94.447 shares per $1,000 face amount ($10.59/share)
    - Will adjust in connection with December 2009 dividend
  - Price as of October 30 was 97 vs. stock price of $8.40



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# Corporate Governance

## Management

- John McLaughlin, President & CEO
- Christine Larson, VP & CFO
- Christopher Stone, VP, General Counsel & Secretary
- Karen Wilson, VP of Finance

## Board of Directors

- Fred Frank, Lead Director
- Joseph Klein
- Jody Lindell
- John McLaughlin
- Paul Sandman
- Harold Selick



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# Agenda

- Overview of PDL BioPharma
- **2009 Guidance & Outlook**
- Optimizing Stockholder Return

# PDL - 2009 Revised Guidance

| | Previous | Revised |
|---|---|---|
| Revenue | $310 - $325 million | $310 - $320 million |
| Operating Expenses | $20 - $22 million | Unchanged |
| Net Income after Tax | $200 - $215 million | $187 - $ 195 million |
| Cash Generated in 2009 | $285 - $300 million | $258 - $268 million |

- Revenue guidance is revised down due to slower growth in Avastin, Herceptin and Tysabri, as well as less ex-US manufacturing which affects PDL's effective royalty rate
- Revised revenue guidance includes royalties received from MedImmune which were $42 million ($38 million received YTD) not included in previous guidance
- Approximately 50% of the expense forecast due to legal and other professional fees
- Cash guidance based on anticipated use of $173 million NOL and $20 million tax credit



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# PDL - Roche/Genentech Royalties

| Product made in US | |
|---|---|
| Net sales up to $1.5 billion | 3.0% |
| Net sales between $1.5 billion and $2.5 billion | 2.5% |
| Net sales between $2.5 billion and $4.0 billion | 2.0% |
| Net sales over $4.0 billion | 1.0% |
| **Product made and sold ex-US** | |
| All sales | 3.0% |

**Roche/Genentech manufacturing integration**

- Close one of the two CHO manufacturing facilities in Vacaville, CA
  - Avastin
- E. coli manufacturing to transfer to Singapore in 2011/12
  - Lucentis
- PDL could see improvement in mix of royalty rates in future years



PDL BioPharma

# Agenda

- Overview of PDL BioPharma
- 2009 Guidance & Outlook
- **Optimizing Stockholder Return**

# PDL - Optimizing Stockholder Return

- **Intend to distribute royalty revenues, net of operating expenses, debt service and income taxes**
  - Declared dividend of $0.50 per share paid on April 1, 2009
  - Declared dividend of $0.50 per share paid on October 1, 2009
- **Continuously evaluating alternatives**
  - Convertible note buyback – gain is taxable but deferrable for 5 years under the American Recovery and Reinvestment Act of 2009
  - Share repurchases
  - Sale of all or a portion of royalty assets
  - Securitization
    - Priced $300 million securitization on October 27, 2009
    - Closed transaction on November 2, 2009



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# $300 Million Securitization Terms

| | |
|---|---|
| **Issuer**…….... | QHP Royalty Sub LLC, Delaware limited liability company, 100% owned by & consolidated with PDL |
| **Security**…….. | 60% of the Genentech royalties in Avastin, Herceptin, Xolair, Lucentis and future licensed products |
| **Principal Amount**…… | $300 million |
| **Coupon** …….. | 10.25% per annum |
| **Loan Type**…….. | Amortizing in relation to 60% of the Five Year NPV of the Genentech royalties |
| **Loan-to-Value**…… | 41.2% |
| **Closing Date**…….. | Monday, November 2 |
| **Payment Dates**…….. | March 15, June 15, September 15, and December 15 beginning on March 15, 2010 |
| **Expected Average Life**…… | 1.9 years based on sales, manufacturing and FX waterfall assumptions |
| **Expected Final Maturity**….. | December 15, 2012 (3.1 years) based on sales, manufacturing and FX waterfall assumptions – Upon final maturity, PDL will own the pledged assets without restriction |
| **Legal Maturity**…….. | March 15, 2015 (coincides with expected duration of royalty payments) |
| **Non-Recourse**…….. | The obligation to pay debt service is an obligation solely of QHP and is without recourse to any other entity, except to the extent of the pledge of the equity in QHP by PDL |
| **Redemption**…….. | The Notes have an optional redemption feature which allows QHP to redeem the Notes at any time with payment of a premium. The premium is calculated by the following formula: the greater of (x) the outstanding principal balance of the Notes being redeemed and (y) the present value, discounted at the applicable Treasury Rate plus 2% of such principal payment amounts and interest (assuming the principal balances are amortized at the times and in the amounts set forth in Schedule B to the Indenture) plus, in each case, the accrued and unpaid interest to the redemption date on the Notes that are being redeemed. |



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# 60% of 5 Year NPV of Genentech Royalties

**Avastin**

- Treatment of metastatic colorectal cancer, advanced non-small cell lung cancer, HER2- breast cancer, gliobastoma and renal cell carcinoma
- 2008 worldwide revenues of $4.9Bn and royalties of $75.9MM

**Herceptin**

- Approved for the treatment of HER2+ patients in breast cancer, adjuvant node positive and node negative breast cancer
- 2008 worldwide revenues of $4.8Bn and royalties of $98.6MM

**Lucentis**

- Treatment of (wet) advanced macular degeneration of the eye
- 2008 worldwide revenues of $1.8Bn and royalties of $27.8MM

**Xolair**

- Treatment of moderate-to-severe persistent asthma
- 2008 worldwide revenues of $700MM and royalties of $13.9MM

**Future Products**

- Other humanized antibodies commercialized by Genentech and under license from PDL while the securitization bond is outstanding



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# Schedule of Next Steps

**Monday, November 2**

- Closed $300 million securitization

**Wednesday, November 11**

- Board of Directors meeting to determine total amount of special dividend, record date and dividend payment date

**Thursday, November 12**

- Announcement of total amount of special dividend, record date and dividend payment date

**Record Date (likely early December)**

- Announcement of actual dividend to be paid on per share basis

**Payment Date (in December 2009)**



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# Why Securitization?

- **Multiple operating strategies were evaluated based on relative IRR & NPV of dividends to stockholders**
- **Securitization increases shareholder return**
  - Allows PDL to leverage time value of money for the benefit of shareholders by returning sizable sum to shareholders now and using 60% of 5 year NPV of Genentech royalties to pay off the principal and interest on the securitization bond in the future
  - Recourse is limited to 60% of Genentech royalties so maintains upside optionality on total portfolio to PDL & limits some of downside risk
  - Transaction size allows PDL to continue to pay dividends in the future
- **Other monetization options proved to be less favorable at this time**
  - PDL had discussions with potential buyers about buying down/out their royalties
  - Securitization offers more advantageous terms and structure than those offered by potential buyers: once debt is paid, royalties revert to PDL for dividends
  - We expect that conversations with potential royalty buyers will continue
- **Securitization does not limit future options**
  - Option to pay off the securitization bond early if necessary for royalty sale or sale of company



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# Why $300 Million Securitization?

- **Four Considerations**
  1. NPV of dividends returned to shareholders through 2015
  2. IRR to shareholders over life of the company
  3. Effect on 2023 and 2012 Convertible Notes
     - Preferred not to trigger early repayment of either set of Notes
     - Didn't want to swap 2.00% - 2.75% money for 10.25% money
  4. Control of Patent and License Assets
- **Optimal Figure**
  - $300 million offered good balance among above considerations
  - Offered comparable or better NPV & IRR than other securitization / monetization / status quo alternatives



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# PDL - Investment Rationale

- Strong revenue growth from approved products
- Potential for additional indications from existing products and new product approvals
- Significantly reduced expenses with no R&D burn
- Return to stockholders
  - Declared two special cash dividends totaling $1.00 in 2009
  - Expect to declare a third special cash dividend from a significant amount of net proceeds of $300 million securitization payable in December 2009



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# PDL - PDL BioPharma




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