**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 6, 2019

# 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))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.☐

**Item 2.02 Results of Operations and Financial Condition.**

On November 6, 2019, PDL BioPharma, Inc. (the Company) issued a press release announcing its financial results for the third quarter ended September 30, 2019. A copy of this earnings release is furnished hereto as Exhibit 99.1. The Company will host an earnings call and webcast on November 6, 2019, during which the Company will discuss its financial results for the third quarter ended September 30, 2019.

**Item 7.01 Regulation FD Disclosure.**

*Presentation Materials*

On November 6, 2019, the Company posted to its website a set of presentation materials that it will use during its earnings call and webcast to assist participants with understanding the Company's financial results for the quarter ended September 30, 2019. A copy of this presentation is attached hereto as Exhibit 99.2.

*Information Sheet*

On November 6, 2019, the Company distributed to analysts covering the Company's securities a summary of certain information regarding the Company's financial results and business (the Information Sheet) to assist those analysts in valuing the Company's securities. The Information Sheet and its associated tables are attached hereto as Exhibit 99.3.

*Limitation of Incorporation by Reference*

In accordance with General Instruction B.2. of Form 8-K, the information in Items 2.02, 7.01 and 9.01 of this report, including the exhibits, shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section and shall not be deemed to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended or the Exchange Act.

**Item 9.01 Financial Statements and Exhibits.**

The following exhibits are furnished with this report:

| Exhibit No. | Description |
|---|---|
| 99.1 | Press Release |
| 99.2 | Presentation |
| 99.3 | Information Sheet |

*Cautionary Statements*

This filing and its exhibits include "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we can give no assurance that such expectations will prove to be correct. Important factors that could impair the Company's assets or business are disclosed in the "Risk Factors" contained in the Company's Annual Report on Form 10-K, filed with the Securities and Exchange Commission on March 15, 2019 and subsequent filings. All forward-looking statements are expressly qualified in their entirety by such factors. We do not undertake any duty to update any forward-looking statement except as required by law.

**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/ Dominique Monnet
Dominique Monnet
President and Chief Executive Officer

Dated: November 6, 2019

**Exhibit Index**

| Exhibit No. | Description |
|---|---|
| 99.1 | Press Release |
| 99.2 | Presentation |
| 99.3 | Information Sheet |

**Exhibit 99.1**

**Contacts:**
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**PDL BioPharma Reports 2019 Third Quarter Financial Results**

*Revenues of $44.2 million includes continued growth from LENSAR and strong contribution from royalty assets*

*Conference call at 4:30 p.m. Eastern time today*

**INCLINE VILLAGE, Nev. (November 6, 2019)** - PDL BioPharma, Inc. ("PDL" or "the Company") (Nasdaq: PDLI) reports financial results for the three and nine months ended September 30, 2019:

**Third Quarter Financial Highlights**

- Total revenues were $44.2 million, including $20.3 million in product revenue and $23.9 million in revenue from royalty rights - change in fair value.
- LENSAR revenues were $8.1 million, up 22% over the prior-year period.
- U.S. market share for branded Tekturna and authorized generic of Tekturna remained steady at approximately 73%.
- Net cash royalties from all royalty rights were $25.6 million, up from $19.1 million in the prior-year period.
- GAAP net loss was $17.8 million. Non-GAAP net income was $10.4 million. A reconciliation of GAAP to non-GAAP financial results can be found in Table 3 at the end of this news release.
- Completed $100 million share repurchase program by repurchasing 1.3 million shares of common stock in the open market for $4.1 million.

"Third quarter revenues exceeded $44 million driven by continued growth from the LENSAR Laser System and strong contributions from our royalty assets, both of which are tracking ahead of our previous guidance range," said Dominique Monnet, president and CEO of PDL. "LENSAR's quarterly revenues reached a record $8 million, up 22% over the prior-year period and up 27% year-to-date. Through PDL-funded R&D investments, LENSAR has continued to advance its best-in-class technology for the treatment of cataracts and the management of astigmatism. LENSAR's technology benefits have been increasingly recognized by ophthalmic surgeons, as indicated by steady and robust year-over-year procedure volume growth since the product was launched in mid-2012. Procedure volume for the first nine months of 2019 is on pace to continue this trend.

"We are also pleased with progress at Evofem Biosciences, which is on track to resubmit the Amphora® NDA in the fourth quarter," he added. "Given this timeframe, we anticipate Amphora's commercial launch for the prevention of pregnancy in 2020, subject to FDA approval. We believe our strategic investment in Evofem allows our shareholders to benefit from the significant near-term and longer-term commercial potential of Amphora. It may also present a strategic position for PDL's potential expansion into the underserved women's health market.

"We completed our $100 million share buy-back program during the third quarter, which represents the Company's largest single investment year-to-date. We are also continuing our efforts to reduce our operating expenses, with general and administrative expenses (G&A) down 16% year-to-date."

**Revenue Highlights**

- Total third quarter revenues were $44.2 million and included $20.3 million in product revenue and $23.9 million in revenue from royalty rights - change in fair value.
    - Product revenue from the LENSAR Laser System was $8.1 million, a 22% increase from the third quarter of 2018. Revenue generated outside the U.S. accounted for the majority of the revenue increase. LENSAR procedure volume for the third quarter of 2019 increased 28% from the prior-year period.
    - Product revenue from Noden was $12.2 million compared with $17.8 million in the prior-year period. Revenue was split evenly between the U.S. and rest of the world at $6.1 million, compared with $9.7 million and $8.0 million, respectively, in the prior-year period. The U.S. market share for branded Tekturna and the authorized generic of Tekturna was 73%, relatively unchanged from the second quarter of 2019.
    - Net royalty revenues from acquired royalty rights, which include cash royalties received and a change in fair value of the royalty rights assets, were $23.9 million compared with $42.2 million in the prior-year period. The decrease in royalty revenue is primarily related to the increase in fair value in the prior year period that resulted from the acquisition of additional Glumetza® royalty rights from Assertio Therapeutics in that period. PDL received $25.6 million in net cash royalties from all of its royalty rights in the third quarter of 2019, up from $19.1 million in the year-ago quarter.

- Total revenues for the first nine months of 2019 were $60.6 million and included $64.9 million in product revenue and negative $4.3 million in revenue from royalty rights - change in fair value.
    - Product revenue from the LENSAR Laser System was $22.2 million, a 27% increase from the prior-year period. Revenue generated outside of the U.S. accounted for the majority of the increase. LENSAR procedure volume for the first nine months of 2019 increased 30% from the prior-year period.
    - Product revenue from the Noden Products was $42.6 million compared with $62.0 million for the prior-year period. Sales for the first nine months of 2019 were comprised of $21.0 million in the U.S. and $21.6 million in the rest of the world, compared with $30.6 million and $31.4 million, respectively, in the prior-year period. The decline in sales of branded Tekturna in the U.S. is due primarily to the launch of an authorized generic of Tekturna in the U.S. and the launch of a third-party generic of aliskiren late in the first quarter of 2019. The decline in sales in the rest of the world is due to lower sales volume of Rasilez in certain territories, in part reflecting additional measures to maximize product profitability.
    - Revenue from royalty rights - change in fair value was negative $4.3 million for the first nine months of 2019, compared with $66.1 million in the prior-year period. The decrease is primarily related to a non-cash adjustment to the AcelRx royalty asset fair value of negative $60.0 million in the second quarter of 2019. PDL received $58.3 million in net cash royalties from its royalty rights in the first nine months of 2019.
    - Interest revenue decreased by $2.3 million from the prior-year period due to modifications to the Company’s agreement with CareView Communications, which deferred interest payments for the first nine months of 2019.
    - Royalties from PDL’s licensees to the Queen et al. patents were less than $0.1 million for the first nine months of 2019, compared with $4.5 million for the prior-year period, reflecting the runout of the royalties on the sales of Tysabri®.

**Operating Expense Highlights**

- Operating expenses for the third quarter of 2019 were $34.7 million, a $3.6 million increase from the third quarter of 2018. The increase was primarily due to a $3.6 million increase in research and development (R&D) expenses associated with product development and patent licensing for LENSAR, and a $3.1 million, or 26%, increase in cost of product revenue, $2.4 million of which related to a termination provision in a Noden supply agreement amended in June 2019 involving end of contract fees, most of which were incurred in the third quarter of 2019. These increases were partially offset by a $1.1 million, or 8%, decline in G&A expenses, primarily due to lower professional fees, and a $1.8 million, or 51%, decline in sales and marketing expenses reflecting savings from the change in the Company’s marketing strategy for the Noden Products.
- Operating expenses for the first nine months of 2019 were $90.6 million, a $146.5 million decrease from the prior-year period. The decrease was primarily a result of the net impact of: the $152.3 million impairment of the Noden Products intangible assets in the second quarter of 2018 and related reductions to the Noden Products contingent liability and amortization expense associated with those intangible assets which, in aggregate, accounted for

$139.1 million of the decrease; a $6.4 million, or 16%, decline in G&A expenses primarily due to lower professional and asset management fees; and a $7.9 million, or 55%, decline in sales and marketing expenses reflecting savings from the change in the Company's marketing strategy for the Noden Products. These decreases were partially offset by an increase in R&D expenses of $3.9 million associated with product development and patent licensing for LENSAR.

**Other Financial Highlights**

- On a GAAP basis, the net loss attributable to PDL's shareholders for the third quarter of 2019 was $17.8 million, or $0.16 per share, compared with GAAP net income attributable to PDL's shareholders of $25.6 million, or $0.18 per share on a diluted basis, for the prior-year period. Noteworthy items reflected in the third quarter net loss include pre-tax charges of $3.9 million for the convertible debt exchange, a $3.6 million increase to R&D expense, primarily the result of the acquisition of LENSAR intellectual property, a $2.4 million manufacturing charge for our Noden products and a $27.4 million loss due to the decrease in fair value of our investment in Evofem, partially offset by a $3.5 million gain recognized for the sale of intangible assets. Non-GAAP net income attributable to PDL's shareholders was $10.4 million for the third quarter of 2019, compared with non-GAAP net income of $13.1 million for the third quarter of 2018.
- The GAAP net loss attributable to PDL's shareholders for the first nine months of 2019 was $15.5 million, or $0.13 per share, compared with a GAAP net loss attributable to PDL's shareholders of $85.1 million or $0.58 per share, for the prior-year period. Non-GAAP net income attributable to PDL's shareholders was $34.9 million for the first nine months of 2019, compared with non-GAAP net income of $44.2 million for the prior-year period.
- PDL had cash and cash equivalents of $294.3 million as of September 30, 2019, compared with cash and cash equivalents of $394.6 million as of December 31, 2018.
- The $100.3 million reduction in cash and cash equivalents during the first nine months of 2019 was primarily the result of common stock repurchases of $75.9 million, the Company's investment in Evofem Biosciences of $60.0 million and costs incurred in the exchange of convertible debt of $11.1 million, which extended the maturity date of $86.1 million of our notes to December 2024, and net cash used in operations of $13.3 million. This was partially offset by the proceeds from royalty rights of $58.1 million and cash proceeds from the sale of intangible assets of $5.0 million.

**Stock Repurchase Programs**

- In November 2018 PDL began repurchasing shares of its common stock in the open market pursuant to the $100.0 million share repurchase program authorized by the Company's board of directors in September 2018. During the third quarter of 2019, the Company completed the stock repurchase program by repurchasing 1.3 million shares for an aggregate purchase price of $4.1 million.
- Since initiating its first stock repurchase program in March 2017, the Company has repurchased 53.1 million shares for $155.0 million, at an average cost of $2.92 per share.
- As of October 31, 2019, the Company had approximately 114.2 million shares of common stock outstanding.

**Financial Guidance**

- PDL is affirming 2019 financial guidance for Noden product revenue, which is expected to be in the range of $50 million to $55 million.
- PDL now expects 2019 LENSAR product revenue to exceed $29 million and 2019 cash royalties to exceed $65 million. This compares with previous guidance for LENSAR product revenue, which was expected to be in the range of $27 million to $29 million, and cash royalties expected to be in the range of $60 million to $65 million.

**Conference Call and Webcast**

PDL will hold a conference call to discuss financial results and provide a business update at 4:30 p.m. Eastern time today. Slides to accompany the conference call will be available in the Investor Relations section of www.pdl.com.

To access the live conference call via phone, please dial 844-535-4071 from the U.S. and Canada or 706-679-2458 internationally. The conference ID is 3195828. A telephone replay will be available beginning approximately one hour after the call through one week following the call, and can be accessed by dialing 855-859-2056 from the U.S. and Canada or 404-537-3406 internationally. The replay passcode is 3195828.

To access the live and subsequently archived webcast of the conference call, go to the Investor Relations section of www.pdl.com and select “Events & Presentations.”

**About PDL BioPharma, Inc.**

PDL’s mission is to improve the lives of patients and create value for our shareholders and our people by applying our capital and expertise for the successful development and commercialization of innovative therapeutics by our partner companies. We deliver on our mission by entering into strategic transactions involving innovative late clinical-stage or early commercial-stage therapeutics with attractive revenue growth potential. For more information please visit www.pdl.com



**Forward-looking Statements**

This press release contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. 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. Important factors that could impair the value of the Company’s assets and business are disclosed in the risk factors contained in the Company’s Annual Report on Form 10-K, filed with the Securities and Exchange Commission on March 15, 2019 and subsequent filings. All forward-looking statements are expressly qualified in their entirety by such factors. We do not undertake any duty to update any forward-looking statement except as required by law.

**TABLE 1**
**PDL BIOPHARMA, INC.**
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS DATA**
**(In thousands, except per share amounts)**

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| **Revenues** | | | | |
| Product revenue, net | $ 20,345 | $ 24,387 | $ 64,868 | $ 79,472 |
| Royalty rights - change in fair value | 23,865 | 42,184 | (4,277) | 66,117 |
| Royalties from Queen et al. patents | — | 533 | 9 | 4,534 |
| Interest revenue | — | 754 | — | 2,254 |
| License and other | (45) | 40 | (48) | 614 |
| Total revenues | 44,165 | 67,898 | 60,552 | 152,991 |
| **Operating Expenses** | | | | |
| Cost of product revenue, (excluding intangible asset amortization and impairment) | 15,033 | 11,926 | 40,191 | 37,016 |
| Amortization of intangible assets | 1,575 | 1,577 | 4,745 | 14,254 |
| General and administrative | 12,092 | 13,211 | 33,037 | 39,401 |
| Sales and marketing | 1,712 | 3,469 | 6,515 | 14,367 |
| Research and development | 4,310 | 672 | 6,065 | 2,149 |
| Impairment of intangible assets | — | — | — | 152,330 |
| Change in fair value of contingent consideration | — | 302 | — | (22,433) |
| Total operating expenses | 34,722 | 31,157 | 90,553 | 237,084 |
| **Operating income (loss)** | 9,443 | 36,741 | (30,001) | (84,093) |
| **Non-operating (expense) income, net** | | | | |
| Interest and other income, net | 1,460 | 1,581 | 4,984 | 4,871 |
| Interest expense | (3,011) | (2,866) | (8,950) | (9,262) |
| Equity affiliate - change in fair value | (27,378) | — | 18,109 | — |
| Gain on sale of intangible assets | 3,476 | — | 3,476 | — |
| Loss on exchange of convertible notes | (3,900) | — | (3,900) | — |
| Total non-operating (expense) income, net | (29,353) | (1,285) | 13,719 | (4,391) |
| (Loss) income before income taxes | (19,910) | 35,456 | (16,282) | (88,484) |
| Income tax (benefit) expense | (1,944) | 9,900 | (419) | (3,346) |
| **Net (loss) income** | (17,966) | 25,556 | (15,863) | (85,138) |
| Less: net loss attributable to noncontrolling interests | (182) | — | (340) | — |
| **Net (loss) income attributable to PDL's shareholders** | $ (17,784) | $ 25,556 | $ (15,523) | $ (85,138) |
| **Net (loss) income per share** | | | | |
| Basic | $ (0.16) | $ 0.18 | $ (0.13) | $ (0.58) |
| Diluted | $ (0.16) | $ 0.18 | $ (0.13) | $ (0.58) |
| Shares used to compute income per basic share | 112,986 | 143,171 | 119,966 | 147,159 |
| Shares used to compute income per diluted share | 112,986 | 144,224 | 119,966 | 147,159 |

**TABLE 2**
**PDL BIOPHARMA, INC.**
**CONDENSED CONSOLIDATED BALANCE SHEET DATA**
**(Unaudited)**
**(In thousands)**

| | September 30, 2019 | December 31, 2018 |
|---|---|---|
| Cash and cash equivalents | $ 294,270 | $ 394,590 |
| Notes receivable | $ 64,008 | $ 63,813 |
| Royalty rights - at fair value | $ 313,943 | $ 376,510 |
| Investment in equity affiliate | $ 67,200 | $ — |
| Total assets | $ 865,145 | $ 963,736 |
| Total convertible notes payable | $ 132,484 | $ 124,644 |
| Total stockholders' equity | $ 637,434 | $ 729,779 |

**TABLE 3**
**PDL BIOPHARMA, INC.**
**GAAP to NON-GAAP RECONCILIATION:**
**NET (LOSS) INCOME**
**(Unaudited)**
**(In thousands)**

A reconciliation between net (loss) income on a GAAP basis and on a non-GAAP basis is as follows:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| GAAP net (loss) income attributed to PDL's stockholders as reported | $ (17,784) | $ 25,556 | $ (15,523) | $ (85,138) |
| Adjustments to Non-GAAP net income (as detailed below) | 28,157 | (12,429) | 50,391 | 129,354 |
| Non-GAAP net income attributed to PDL's stockholders | $ 10,373 | $ 13,127 | $ 34,868 | $ 44,216 |

An itemized reconciliation between net (loss) income on a GAAP basis and on a non-GAAP basis is as follows:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| GAAP net (loss) income attributed to PDL's stockholders, as reported | $ (17,784) | $ 25,556 | $ (15,523) | $ (85,138) |
| Adjustments: | | | | |
| Mark-to-market adjustment to fair value - royalty assets | 1,699 | (23,128) | 62,567 | (9,068) |
| Mark-to-market adjustment to equity affiliate - common stock | 21,333 | — | (16,574) | — |
| Non-cash interest revenues | — | (79) | — | (229) |
| Non-cash stock-based compensation expense | 2,059 | 2,596 | 5,403 | 4,814 |
| Non-cash debt offering costs | 1,900 | 1,834 | 5,776 | 5,745 |
| Non-cash depreciation and amortization expense | 646 | 1,033 | 2,295 | 3,061 |
| Mark-to-market adjustment on warrants held | 6,090 | (40) | (1,487) | (114) |
| Impairment of intangible assets | — | — | — | 152,330 |
| Non-cash amortization of intangible assets | 1,575 | 1,577 | 4,745 | 14,254 |
| Mark-to-market adjustment of contingent consideration | — | 302 | — | (22,433) |
| Income tax effect related to above items | (7,145) | 3,476 | (12,334) | (19,006) |
| Total adjustments | 28,157 | (12,429) | 50,391 | 129,354 |
| Non-GAAP net income | $ 10,373 | $ 13,127 | $ 34,868 | $ 44,216 |

**Use of Non-GAAP Financial Measures**

We supplement our consolidated financial statements presented on a GAAP basis by providing an additional measure which may be considered a "non-GAAP" financial measure under applicable rules of the Securities and Exchange Commission. We believe that the disclosure of this non-GAAP financial measure provides our investors with additional information that reflects the amounts and financial basis upon which our management assesses and operates our business. These non-GAAP financial measures are not in accordance with generally accepted accounting principles and should not be viewed in isolation or as a substitute for reported, or GAAP, net income, and is not a substitute for, or superior to, measures of financial performance performed in conformity with GAAP.

"Non-GAAP net income" is not based on any standardized methodology prescribed by GAAP and represents GAAP net income adjusted to exclude (1) mark-to-market adjustments related to the fair value election for our investments in royalty

rights presented in our earnings, which include the fair value re-measurement of future discounted cash flows for each of the royalty rights assets we have acquired, (2) market-to-mark adjustment to our equity affiliate, (3) non-cash interest revenue from notes receivable (4) non-cash stock-based compensation expense, (5) non-cash interest expense related to PDL debt offering costs, (6) mark-to-market adjustments related to warrants held, (7) non-cash amortization of intangible assets, (8) mark-to-market adjustment related to acquisition-related contingent consideration, (9) non-cash depreciation and amortization expense and (10) the related tax effect of all reconciling items within our reconciliation. Non-GAAP financial measures used by PDL may be calculated differently from, and therefore may not be comparable to, non-GAAP measures used by other companies.

# # #

**Exhibit 99.2**

# 2019 Third Quarter
# Financial Results Conference Call

November 6, 2019

# Forward-Looking Statements

This presentation contains forward-looking statements including PDL's expectations with respect to its future 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:

- Our ability to realize the benefits of our investments in Evofem Biosciences, Inc., Noden Pharma DAC and LENSAR, Inc. and our income generating assets;
- Risks related to the commercialization of our products or those of our counterparties, including but not limited to, competition from other products (including generic products), compliance with laws and regulatory requirements, pricing, intellectual property rights, reliance on a third party for commercialization of our authorized generic product, standards of care as they apply to the use of our products, unexpected changes to tax, import or export rules;
- Our reliance on third-party manufacturers who may not perform as expected;
- The productivity of acquired income generating assets may not fulfill our revenue forecasts and, if secured by collateral, we may be under-secured and unable to recuperate our capital expenditures in the transaction;
- Failure to obtain or maintain regulatory approvals relating to our products and those underlying certain of investments and income generating assets;
- Failure to acquire additional products or other sources of revenues sufficient to continue operations;
- Competitive or market pressures on our products, licensees, borrowers and royalty counterparties;
- Changes in any of the assumptions on which PDL's projected revenues are based;
- Changes in foreign currency exchange rates;
- Positive or negative results in PDL's attempt to license or acquire products or income generating assets;
- Our ability to utilize our net operating loss carryforwards and certain other tax attributes;
- The outcome of litigation or disputes, including potential product liability; 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 "Investor Relations" 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.



PDL

# Strong Operating Results

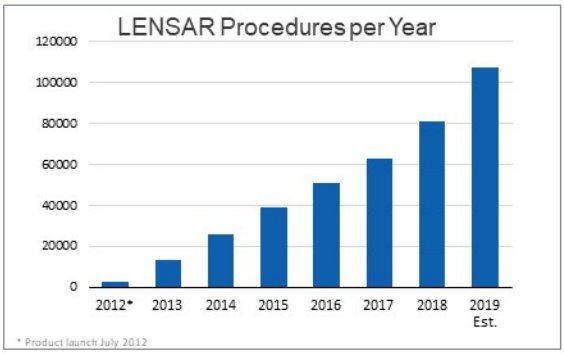
- Q3-19 revenues exceed $44 million
  - Revenues were driven by sales growth from LENSAR and a favorable contribution from our royalty assets
- Both LENSAR revenue and cash flows from royalty assets are tracking ahead of our 2019 guidance
- YTD we reduced G&A by 16% while making further investments in LENSAR R&D
- We continue to have a balanced approach to our capital allocation
  - We completed our 3rd share repurchase program
  - Since March 2017, we have repurchased 53.1 million shares of PDL, or almost 32% of our common stock, for a total investment of $155 million

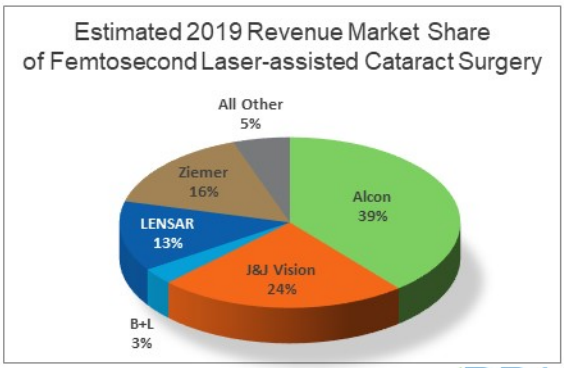


PDL

# LENSAR: Innovation Driving Growth

- Record quarterly revenues of $8.1 million
  - 22% increase from Q3-18
  - 9% increase from Q2-19
- YTD revenues of $22 million, up 27% YoY, on path to exceed 2019 guidance of $29 million
- R&D investments build on position as a leading innovator for the treatment of cataracts providing greater accuracy and procedure customization
  - Existing intellectual property supports continued growth in the femtosecond laser surgery market
  - Recent acquisition of key intellectual property establishes LENSAR with the premier technology position in GEN2 system






2019 Cataract Surgical Equipment Market Report: A Global Analysis for 2018 – 2024, Market Scope LLC

# LENSAR: Positioned for Sustained Growth

- Significant unmet need remains in the cataract surgery market
  - 70%-90% of patients who undergo cataract surgery have treatable, visually significant astigmatism, but it remains largely uncorrected
  - Almost 50% of postoperative cataract patients have unacceptable refractive error
- Best-in-class technology with LENSAR Streamline® IV laser
  - Enables optimal treatment of tissue-specific cataract and management of astigmatism
  - Proprietary IntelliAxis Refractive Capsulorhexis laser makes alignment marks on the capsule to guide IOL placement to perfectly align to the patient's astigmatism for improved outcomes
- Recent studies with LENSAR System demonstrate a significant improvement in patient outcomes
- LENSAR-installed systems performed 79% more procedures than the worldwide average per femtosecond laser



2019 Cataract Surgical Equipment Market Report: A Global Analysis for 2018 – 2024, Market Scope LLC

PDL

# LENSAR GEN2: Disruptive New Technology

- Development of GEN2, a compact, integrated, all-in-one femto-phaco workstation establishes LENSAR as the innovation leader
  - 1st femtosecond laser that can perform all cataract surgeries
  - Combines state-of-the-art benefits of LENSAR Laser System and ultrasound phacoemulsification system
  - Enables surgeons to switch between the femto and phaco without patient or procedure flow disruption, enabling greater efficiencies
- Targets the growing trend for in-office cataract surgery and growth of the premium cataract surgery market
- Cost effective with utilization in both reimbursed and private pay market
- Assuming modest 2.5% share of phaco market, GEN2 has the potential to generate additional $1 billion in revenue over 10 years
- Submission of 510(k) for GEN2 targeted for end of 2021 with commercial launch in 2022



PDL

# Evofem: On Track to Resubmit NDA

- Resubmission of Amphora® NDA for prevention of pregnancy is on track for Q4-19
- Factors provide confidence in approach to gaining FDA approval
  - Phase 3 AMPOWER is designed to exceed the number of women and cycles agreed to by FDA; trial achieved strong clinical results that met the study's pre-specified primary endpoint and Amphora is well tolerated with favorable safety record
  - Evofem is receiving expert regulatory direction from a former FDA Director for the Division or Reproductive and Urological Products
  - FDA is aware of the need for new contraceptive options



PDL

# Evofem: Multiple Near-Term Catalysts

| | |
|---|---|
| Nov-19 | Topline data readout from Phase 2b AMPREVENCE trial<br>• Evaluating Amphora for prevention of chlamydia, with secondary endpoint of prevention of gonorrhea<br>• Opportunity to expand label for dual indication contraceptive with built-in STI prevention—no other product on the market for prevention of chlamydia |
| Q4-19 | Resubmission of Amphora NDA for prevention of pregnancy |
| Q2-20 | PDUFA date for Amphora for prevention of pregnancy |
| 2020 | Amphora commercial launch |



PDL

# PDL: Strong Balance Sheet

- Liquid balance sheet with $294 million in cash
- Royalty rights valued at $314 million; $465 million expected in future royalty rights cash payments through 2026
- Completed $100 million share repurchase program
  - Largest single investment in 2019 on a YTD basis and demonstrates PDL's continued attention to balanced capital allocation
- Extended maturity period for $86.1 million of 2.75% convertible debt from Dec. 2021 to Dec. 2024



PDL

# Third Quarter 2019 Financials (unaudited)

| *(In thousands, except per share amounts)* | Three Months Ended September 30, 2019 | 2018 | Nine Months Ended September 30, 2019 | 2018 |
|---|---|---|---|---|
| Product revenue, net | $ 20,345 | $ 24,387 | $ 64,868 | $ 79,472 |
| Royalty rights - change in fair value | 23,865 | 42,184 | (4,277) | 66,117 |
| Royalties from Queen et al. patents | - | 533 | 9 | 4,534 |
| Interest revenue | - | 754 | - | 2,254 |
| License and other | (45) | 40 | (48) | 614 |
| Total revenues | 44,165 | 67,898 | 60,552 | 152,991 |
| Cost of product revenue, (excluding intangible asset amortization and impairment) | 15,033 | 11,926 | 40,191 | 37,016 |
| Amortization of intangible assets | 1,575 | 1,577 | 4,745 | 14,254 |
| General and administrative expenses | 12,092 | 13,211 | 33,037 | 39,401 |
| Sales and marketing | 1,712 | 3,469 | 6,515 | 14,367 |
| Research and development | 4,310 | 672 | 6,065 | 2,149 |
| Impairment of intangible assets | - | - | - | 152,330 |
| Change in fair value of contingent consideration | - | 302 | - | (22,433) |
| Total operating expenses | 34,722 | 31,157 | 90,553 | 237,084 |
| Operating income (loss) | 9,443 | 36,741 | (30,001) | (84,093) |
| Interest and other income, net | 1,460 | 1,581 | 4,984 | 4,871 |
| Interest expense | (3,011) | (2,866) | (8,950) | (9,262) |
| Equity affiliate - change in fair value | (27,378) | - | 18,109 | - |
| Gain on sale of intangible assets | 3,476 | | 3,476 | |
| Loss on exchange of convertible notes | (3,900) | | (3,900) | |
| (Loss) income before income taxes | (19,910) | 35,456 | (16,282) | (88,484) |
| Income tax (benefit) expense | (1,944) | 9,900 | (419) | (3,346) |
| Net (loss) income | (17,966) | 25,556 | (15,863) | (85,138) |
| Less: Net loss attributable to noncontrolling interests | (182) | - | (340) | - |
| Net (loss) income attributable to PDL's shareholders | $ (17,784) | $ 25,556 | $ (15,523) | $ (85,138) |
| Net (loss) income per share - Basic | $ (0.16) | $ 0.18 | $ (0.13) | $ (0.58) |
| Net (loss) income per share - Diluted | $ (0.16) | $ 0.18 | $ (0.13) | $ (0.58) |

# Third Quarter 2019 Financials (unaudited)

**GAAP to Non-GAAP Net (Loss) Income Reconciliation *(in thousands)***

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| GAAP net (loss) income attributed to PDL's shareholders, as reported | $ (17,784) | $ 25,556 | $ (15,523) | $ (85,138) |
| Adjustments: | | | | |
| Mark-to-market adjustment to fair value - royalty assets | 1,699 | (23,128) | 62,567 | (9,068) |
| Mark-to-market adjustments to equity affiliate - common stock | 21,333 | - | (16,574) | - |
| Non-cash interest revenues | - | (79) | - | (229) |
| Non-cash stock-based compensation expense | 2,059 | 2,596 | 5,403 | 4,814 |
| Non-cash debt offering costs | 1,900 | 1,834 | 5,776 | 5,745 |
| Non-cash depreciation and amortization expense | 646 | 1,033 | 2,295 | 3,061 |
| Mark-to-market adjustment on warrants held | 6,090 | (40) | (1,487) | (114) |
| Impairment of intangible assets | - | - | - | 152,330 |
| Non-cash amortization of the intangible assets | 1,575 | 1,577 | 4,745 | 14,254 |
| Mark-to-market adjustment of contingent consideration | - | 302 | - | (22,433) |
| Income tax effect related to above items | (7,145) | 3,476 | (12,334) | (19,006) |
| Total adjustments | 28,157 | (12,429) | 50,391 | 129,354 |
| Non-GAAP net income | $ 10,373 | $ 13,127 | $ 34,868 | $ 44,216 |

**GAAP to Non-GAAP Revenue Reconciliation *(in thousands)***

| | Three Months Ended September 30, 2019 | | | Nine Months Ended September 30, 2019 | | |
|---|---|---|---|---|---|---|
| | GAAP | *Adjustment* | Non-GAAP | GAAP | *Adjustment* | Non-GAAP |
| **Revenues** | | | | | | |
| Product revenue, net | $ 20,345 | $ - | $ 20,345 | $ 64,868 | $ - | $ 64,868 |
| Royalty rights - change in fair value | 23,865 | 1,699 (a) | 25,564 | (4,277) | 62,567 (a) | 58,290 |
| Royalties from Queen et al. patents | - | - | - | 9 | - | 9 |
| Interest revenue | - | - | - | - | - | - |
| License and other | (45) | - | (45) | (48) | - | (48) |
| Total revenues | $ 44,165 | $ 1,699 | $ 45,864 | $ 60,552 | $ 62,567 | $ 123,119 |

(a) To remove the impact of the fair value adjustment to the royalty right assets.

# Third Quarter 2019 Financials (unaudited)

| *Consolidated balance sheet data* *(in thousands)* | September 30, 2019 | December 31, 2018 |
|---|---|---|
| Cash and cash equivalents | $ 294,270 | $ 394,590 |
| Notes receivable | $ 64,008 | $ 63,813 |
| Royalty rights - at fair value | $ 313,943 | $ 376,510 |
| Investment in equity affiliate | $ 67,200 | $ - |
| Intangible assets, net | $ 47,349 | $ 51,319 |
| Total assets | $ 865,145 | $ 963,736 |
| Convertible notes payable | $ 132,484 | $ 124,644 |
| Total stockholders' equity | $ 637,434 | $ 729,779 |



PDL

# On Track to Exceed 2019 Guidance

- Affirming guidance for Noden product revenue expected to be $50 million to $55 million
- Increasing expectations for LENSAR product revenue and cash royalties
- LENSAR product revenue expected to exceed $29 million
  - Up from prior guidance of $27 million to $29 million
- Cash royalties expected to exceed $65 million
  - Up from prior guidance of $60 million to $65 million



PDL

PDL®

# Questions & Answers

# PDL BioPharma, Inc.
# Q3 2019
# November 6, 2019

Following are some of the key points regarding the third quarter 2019 financial and business results for PDL BioPharma, Inc. ("PDL" or "the Company").

**Third Quarter and Recent Financial Highlights**

- GAAP net loss of $17.8 million or $0.16 per share.
- Non-GAAP net income attributable to PDL's shareholders of $10.4 million.
- Cash and cash equivalents of $294.3 million as of September 30, 2019.
- Investment in Evofem Biosciences resulted in a pre-tax loss for the quarter of $27.4 million due to the decrease in Evofem's stock price during the third quarter of 2019. On a year to date basis, PDL's investment in Evofem has resulted in a pre-tax gain of $18.1 million due to the increase in fair value.
- Completed the $100 million share repurchase program by repurchasing 1.3 million shares of common stock in the open market during the third quarter of 2019 for $4.1 million.

**Medical Devices**

- The Medical Devices segment consists of revenue derived from the LENSAR® Laser System sales made by the Company's LENSAR subsidiary, and associated costs of operating the business. LENSAR is a medical device company focused on delivering next generation femtosecond cataract laser technology used for refractive cataract surgery.
- Product revenue from the LENSAR® Laser System was $8.1 million, a 22% increase from the third quarter of 2018, and a 9% increase from the second quarter of 2019. Revenue generated outside the U.S. accounted for the majority of the revenue increases.
    - LENSAR procedure volume for the three months ended September 30, 2019 increased by 28% from the prior-year period and decreased 4% from the second quarter of 2019.
- Gross margin on LENSAR revenue in the third quarter of 2019 was 41 percent.

**Strategic Positions**

- In the second quarter of 2019 the Company invested $60.0 million in Evofem. In connection with this investment the Company appointed one board member and one observer to Evofem's board of directors. Evofem is a clinical-stage biopharmaceutical company committed to developing and commercializing innovative products to address unmet needs in women's sexual and reproductive health.
- For the three months ended September 30, 2019, the Company recognized a pre-tax loss of $27.4 million from its investment in Evofem due to the decrease in Evofem's stock price during the period. On a year to date basis, PDL's investment in Evofem has resulted in a pre-tax gain of $18.1 million.
- As of September 30, 2019, the Company owned approximately 29 percent of Evofem's common stock.

**Pharmaceutical**

- The Company's Pharmaceutical segment consists of revenue derived from the Noden Products and associated costs of operating the business.
- Noden net revenue for the third quarter of 2019 was $12.2 million compared with $17.8 million for the third quarter of 2018. Sales in the third quarter of 2019 were comprised of $6.1 million in the United States and $6.1 million in the rest of the world, compared with $9.7 million and $8.1 million, respectively, in the prior-year period.
    - Sales of branded Tekturna in the U.S. declined due to the Company's first quarter 2019 launch of an authorized generic and the launch of a third-party generic form of aliskiren late in the first quarter of 2019.
    - Branded Tekturna and the authorized generic of Tekturna maintained a 73% U.S. market share at the end of the third quarter of 2019, which is relatively unchanged from the second quarter of 2019.

- Sales of Rasilez and Rasilez HCT in the rest of the world declined primarily due to lower sales volume of Rasilez in certain territories.

- Gross margins on revenue in the third quarter of 2019 were 16 percent, 71 percent in the U.S. and a negative 39 percent ex-U.S. on Rasilez® and Rasilez HCT®. The Rasilez® and Rasilez HCT® gross margins in the third quarter of 2019 were impacted by a termination provision in a Noden supply agreement amended in June 2019 involving end of contract fees that resulted in a one-time manufacturing cost primarily recorded in the third quarter of 2019.

**Income Generating Assets**

The income generating assets typically consisted of (i) notes and other long-term receivables, (ii) royalty rights and hybrid notes/royalty receivables, (iii) equity investments and (iv) royalties from the Queen et. al patents.

***Royalty Rights Assets***

PDL received $25.6 million in net cash royalties from its royalty rights in the third quarter of 2019, compared with $19.1 million for the prior year period.

*Assertio Therapeutics (formerly Depomed, Inc.)*

- Through September 30, 2019, the Company has received cash royalty payments of $433 million from the $260.5 million investment.
  - For the third quarter of 2019, the Company received $23.6 million in cash royalty payments on Assertio royalty assets.
- Glumetza (and AG version) royalty: 50 percent of net sales less COGS continue so long as the products are being commercialized.
- Low- to mid-single digit royalties to PDL on new product approvals expected to continue to 2023 for Invokamet XR® U.S., 2026 for Jentadueto XR® and Synjardy XR®, and 2027 for Invokamet XR® ex-US. Royalties on the sale of Janumet® ended in the third quarter of 2018.

*Other Royalty Assets*

- Through September 30, 2019, the Company has received cash royalty payments of $28.3 million from non-Assertio royalty assets, of which $2.0 million in cash royalty payments were received in the third quarter of 2019.

The following tables provide a summary of activity with respect to our royalty rights - change in fair value for the three and nine months ended September 30, 2019 and 2018:

| | Three Months Ended | | | | | |
|---|---|---|---|---|---|---|
| | September 30, 2019 | | | September 30, 2018 | | |
| *(in thousands)* | Cash Royalties | Change In Fair Value | Total | Cash Royalties | Change In Fair Value | Total |
| Assertio | $ 23,597 | $ 1,058 | $ 24,655 | $ 17,482 | $ 31,631 | $ 49,113 |
| VB | 254 | 89 | 343 | 277 | (779) | (502) |
| U-M | 1,574 | (3,063) | (1,489) | 1,152 | 1,375 | 2,527 |
| AcelRx | 80 | 236 | 316 | 70 | (9,158) | (9,088) |
| KYBELLA | 59 | (19) | 40 | 77 | 57 | 134 |
| | $ 25,564 | $ (1,699) | $ 23,865 | $ 19,058 | $ 23,126 | $ 42,184 |

| | Nine Months Ended | | | | | |
|---|---|---|---|---|---|---|
| | September 30, 2019 | | | September 30, 2018 | | |
| *(in thousands)* | Cash Royalties | Change in Fair Value | Total | Cash Royalties | Change in Fair Value | Total |
| Assertio | $ 52,980 | $ 599 | $ 53,579 | $ 52,077 | $ 13,665 | $ 65,742 |
| VB | 748 | 354 | 1,102 | 820 | (494) | 326 |
| U-M | 4,212 | (4,379) | (167) | 3,437 | 755 | 4,192 |
| AcelRx | 241 | (57,650) | (57,409) | 190 | (4,619) | (4,429) |
| Avinger | — | — | — | 366 | (396) | (30) |
| KYBELLA | 109 | (1,491) | (1,382) | 159 | 157 | 316 |
| | $ 58,290 | $ (62,567) | $ (4,277) | $ 57,049 | $ 9,068 | $ 66,117 |

The following table provides additional details with respect to the fair value of the PDL royalty rights assets as of September 30, 2019 and with changes from December 31, 2018 as reflected in our Balance Sheets:

| *(in thousands)* | Fair Value as of December 31, 2018 | Royalty Rights - Change in Fair Value | Fair Value as of September 30, 2019 |
|---|---|---|---|
| Assertio | $ 264,371 | $ 599 | $ 264,970 |
| VB | 14,108 | 354 | 14,462 |
| U-M | 25,595 | (4,379) | 21,216 |
| AcelRx | 70,380 | (57,650) | 12,730 |
| KYBELLA | 2,056 | (1,491) | 565 |
| | $ 376,510 | $ (62,567) | $ 313,943 |

***Stock Repurchase Programs***

- In November 2018, PDL began repurchasing shares of its common stock pursuant to the $100.0 million share repurchase program authorized by the Company's board of directors in September 2018. During the third quarter of 2019, the Company completed the stock repurchase program by repurchasing 1.3 million shares for an aggregate purchase price of $4.1 million.
- Since initiating its first stock repurchase program in March 2017, the Company has repurchased a total of 53.1 million shares for $155.0 million, at an average cost of $2.92 per share.
- As of October 31, 2019, the Company had approximately 114.2 million shares of common stock outstanding.

**Forward-looking Statements**

This document contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. 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. Important risks and uncertainties with respect to the Company's business are disclosed in the risk factors contained in the Company's Annual Report on Form 10-K, as updated by subsequent reports filed with the Securities and Exchange Commission. All forward-looking statements are expressly qualified in their entirety by such factors. We do not undertake any duty to update any forward-looking statement except as required by law.

**Exhibit 1**

**GAAP to NON-GAAP RECONCILIATION:**
**NET (LOSS) INCOME**
**(Unaudited)**
**(In thousands)**

A reconciliation between net (loss) income on a GAAP basis and on a non-GAAP basis is as follows:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| GAAP net (loss) income attributed to PDL's stockholders as reported | $ (17,784) | $ 25,556 | $ (15,523) | $ (85,138) |
| Adjustments to Non-GAAP net income (as detailed below) | 28,157 | (12,429) | 50,391 | 129,354 |
| Non-GAAP net income attributed to PDL's stockholders | $ 10,373 | $ 13,127 | $ 34,868 | $ 44,216 |

An itemized reconciliation between net (loss) income on a GAAP basis and on a non-GAAP basis is as follows:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| GAAP net (loss) income attributed to PDL's stockholders, as reported | $ (17,784) | $ 25,556 | $ (15,523) | $ (85,138) |
| Adjustments: | | | | |
| Mark-to-market adjustment to fair value - royalty assets | 1,699 | (23,128) | 62,567 | (9,068) |
| Mark-to-market adjustment to equity affiliate - common stock | 21,333 | — | (16,574) | — |
| Non-cash interest revenues | — | (79) | — | (229) |
| Non-cash stock-based compensation expense | 2,059 | 2,596 | 5,403 | 4,814 |
| Non-cash debt offering costs | 1,900 | 1,834 | 5,776 | 5,745 |
| Non-cash depreciation and amortization expense | 646 | 1,033 | 2,295 | 3,061 |
| Mark-to-market adjustment on warrants held | 6,090 | (40) | (1,487) | (114) |
| Impairment of intangible assets | — | — | — | 152,330 |
| Non-cash amortization of intangible assets | 1,575 | 1,577 | 4,745 | 14,254 |
| Mark-to-market adjustment of contingent consideration | — | 302 | — | (22,433) |
| Income tax effect related to above items | (7,145) | 3,476 | (12,334) | (19,006) |
| Total adjustments | 28,157 | (12,429) | 50,391 | 129,354 |
| Non-GAAP net income | $ 10,373 | $ 13,127 | $ 34,868 | $ 44,216 |

**Use of Non-GAAP Financial Measures**

We supplement our consolidated financial statements presented on a GAAP basis by providing an additional measure which may be considered a "non-GAAP" financial measure under applicable rules of the Securities and Exchange Commission. We believe that the disclosure of this non-GAAP financial measure provides our investors with additional information that reflects the amounts and financial basis upon which our management assesses and operates our business. These non-GAAP financial measures are not in accordance with generally accepted accounting principles and should not be viewed in isolation or as a substitute for reported, or GAAP, net income, and is not a substitute for, or superior to, measures of financial performance performed in conformity with GAAP.

“Non-GAAP net income” is not based on any standardized methodology prescribed by GAAP and represents GAAP net income adjusted to exclude (1) mark-to-market adjustments related to the fair value election for our investments in royalty rights presented in our earnings, which include the fair value re-measurement of future discounted cash flows for each of the royalty rights assets we have acquired, (2) market-to-mark adjustment to our equity affiliate, (3) non-cash interest revenue from notes receivable (4) non-cash stock-based compensation expense, (5) non-cash interest expense related to PDL debt offering costs, (6) mark-to-market adjustments related to warrants held, (7) non-cash amortization of intangible assets, (8) mark-to-market adjustment related to acquisition-related contingent consideration, (9) non-cash depreciation and amortization expense and (10) the related tax effect of all reconciling items within our reconciliation. Non-GAAP financial measures used by PDL may be calculated differently from, and therefore may not be comparable to, non-GAAP measures used by other companies.