

Teva Pharmaceutical Industries Ltd TEVA (NAS)

Last Close	Industry	Sector
42.05 USD	Drug Manufacturers Healthcare - Specialty & Generic	

Profile

Pricing data through 10 May 2012

In addition to this comprehensive company profile, Morningstar offers in-depth analyst research and ratings on selected companies.

For information about our full analyst coverage, please contact:

Morningstar Equity Research
+1 (312) 696-6869
nasdaqrequest@morningstar.com

Contents

Company Profile	1
Company Data	2
Management & Ownership	3
Industry Focus	4

Teva Pharmaceutical Industries, Ltd. was incorporated in Israel on February 13, 1944, and is the successor to a number of Israeli corporations, the oldest of which was established in 1901. Teva is a global pharmaceutical company that develops, produces and markets generic drugs covering all major treatment categories. Teva is a generic drug company in the world, as well as in the United States, in terms of both total and new prescriptions. The Company also has growing branded pharmaceutical portfolio, including Copaxone(r) for multiple sclerosis and Azilect(r) for Parkinson's disease, respiratory products and women's health products. Its active pharmaceutical ingredient manufacturing capabilities provide vertical integration to its own pharmaceutical production. The Company's global presence covers North America, Europe, Latin America, Asia and Israel. It currently has direct operations in more than 60 countries, including 38 finished dosage pharmaceutical manufacturing sites in 17 countries, 15 generic R&D centers operating mostly within certain manufacturing sites and 21 API manufacturing sites around the world. Teva manufactures and sells generic pharmaceutical products in a variety of dosage forms, including tablets, capsules, ointments, creams, liquids, injectables and inhalants. Teva's branded product offerings include two innovative products that it has developed: Copaxone(r) and Azilect(r). Copaxone is the multiple sclerosis therapy in the U.S. and globally and is approved in 52 countries worldwide, including the U.S., Canada, Mexico, Australia, Israel, and all European countries. It is indicated for reduction of the frequency of relapses in patients with relapsing-remitting multiple sclerosis. Copaxone is also indicated for the treatment of patients who have experienced clinically isolated syndrome and are determined to be at high risk of developing clinically definite MS. Azilect is indicated for the treatment of Parkinson's disease both as initial monotherapy in the early stage of the disease and as an adjunct to levodopa in moderate to advanced stages of the disease, is the Company's second innovative drug to be marketed. The Company's main branded respiratory products in the U.S. include ProAir™, a short-acting beta-agonist for treatment of bronchial spasms linked to asthma or COPD and exercise-

induced bronchospasm, and Qvar(r), an inhaled corticosteroid for long-term control of chronic bronchial asthma. Teva's women's health unit manufactures and markets proprietary pharmaceutical products in the U.S. and Canada and maintains its own proprietary sales force. Product development activities are focused on several categories, including oral contraceptives, intrauterine contraception, hormone therapy treatments for menopause/perimenopause and therapies for use in infertility and urinary incontinence. Teva's main U.S. subsidiary, Teva Pharmaceuticals USA, Inc., is the generic drug company in the U.S. The Company markets over 400 generic products in more than 1,300 dosage strengths and packaging sizes. Through its Canadian subsidiary, Teva Canada Ltd., Teva manufactures and market generic prescription pharmaceuticals in Canada. Teva Animal Health, Inc. is a manufacturer of generic animal pharmaceuticals and marketer of proprietary dermatological and nutraceutical veterinary products in the U.S. animal health market. In the U.S., the Company is subject to intense competition in the generic drug market from other local and foreign generic drug manufacturers, brand-name pharmaceutical companies through authorized generics, existing brand equivalents and manufacturers of therapeutically similar drugs. Teva is subject to laws and regulations concerning the environment, safety matters, regulation of chemicals and product safety in the countries where it manufacture and sell its products or otherwise operate the business.

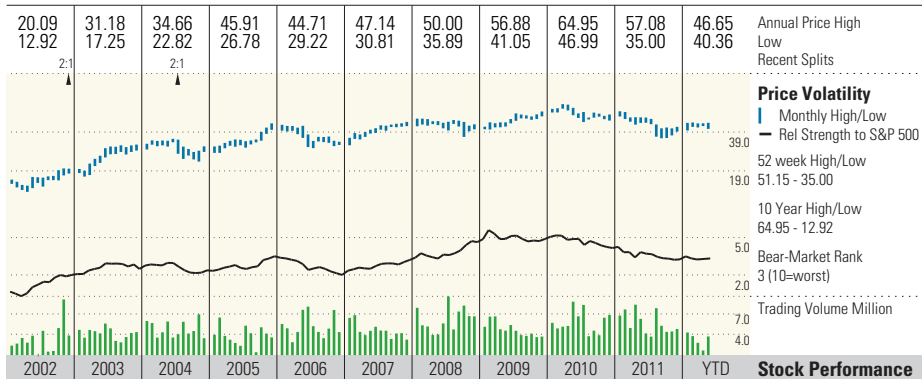
Teva Pharmaceutical Industries Ltd TEVA

Sales USD Mil 18,312 **Mkt Cap USD Mil** 37,130 **Industry** Drug Manufacturers - Specialty & Generic **Sector** Healthcare

Headquartered in Israel, Teva Pharmaceutical is the world's largest generic pharmaceutical manufacturer with operations in 60 countries. Teva operates 53 finished dosage sites, 17 research and development centers, and 21 active pharmaceutical ingredient manufacturing sites. The company also develops and sells branded pharmaceuticals, including Copaxone, one of the world's leading multiple sclerosis drugs. Branded drug sales represent approximately 37% of revenue.

5 Basel Street P.O. Box 3190 Employees: 45754
 Petach Tikva, 49131
 Phone: 972 39148171
 Website: http://www.tevapharm.com

Morningstar Rating **Last Price** 42.05 **Fair Value** **Uncertainty** **Economic Moat™** **Stewardship Grade**
 per share prices in USD



Growth Rates	Compound Annual			
	1 Yr	3 Yr	5 Yr	10 Yr
Revenue %	13.6	18.2	16.8	24.3
Operating Income %	-19.7	39.5	31.2	24.0
Earnings/Share %	-15.8	58.2	35.0	19.7
Dividends %	17.2	24.1	25.3	41.1
Book Value/Share %	2.8	11.1	7.8	25.0
Stock Total Return %	-9.2	-0.1	3.1	13.4
+/- Industry	-7.9	-20.4	-3.6	5.7
+/- Market	-9.8	-13.5	5.3	10.8

Profitability Analysis	Current	5 Yr Avg	Ind	Mkt
	Return on Equity %	12.5	12.0	11.7
Return on Assets %	6.3	6.5	5.4	9.3
Fixed Asset Turns	3.5	3.8	5.3	7.4
Inventory Turns	2.0	2.0	2.5	16.6
Revenue/Employee USD K	400.2	400.9*	—	1050.7
Gross Margin %	52.0	53.4	59.1	40.1
Operating Margin %	17.0	18.8	14.4	18.9
Net Margin %	15.1	15.3	11.0	11.4
Free Cash Flow/Rev %	16.8	18.7	14.3	0.1
R&D/Rev %	6.0	0.1	—	9.5

Financial Position	12-10 USD Mil	12-11 USD Mil
	Cash	1248
Inventories	3866	5012
Receivables	5476	6213
Current Assets	12042	14453
Fixed Assets	4357	5947
Intangibles	20983	28609
Total Assets	38152	50142
Payables	—	—
Short-Term Debt	2771	4280
Current Liabilities	9694	13847
Long-Term Debt	4110	10236
Total Liabilities	16205	27947
Total Equity	21947	22195

Valuation Analysis	Current	5 Yr Avg	Ind	Mkt
	Price/Earnings	13.6	25.3	24.7
Forward P/E	—	—	—	13.6
Price/Cash Flow	9.1	13.5	14.5	7.0
Price/Free Cash Flow	12.2	17.8	19.7	17.4
Dividend Yield %	1.8	—	0.5	2.0
Price/Book	1.7	2.3	2.9	1.9
Price/Sales	2.0	3.2	2.7	1.2
PEG Ratio	—	—	—	1.8

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	YTD	Stock Performance
25.5	47.2	5.7	44.8	-27.1	50.6	-7.5	33.1	-6.0	-21.1	4.7	Total Return %
48.9	20.8	-3.3	41.8	-40.7	47.1	31.0	9.7	-18.8	-21.1	-3.0	+/- Market
37.3	6.1	20.2	31.0	-21.9	43.1	12.8	-6.1	-16.7	-23.6	-5.4	+/- Industry
0.2	0.2	0.4	0.5	0.8	0.7	1.0	0.9	1.3	1.9	1.8	Dividend Yield %
9891	15747	18718	26962	20098	35511	37833	49742	46787	35719	37130	Market Cap USD Mil

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	TTM	Financials
2519	3276	4799	5250	8408	9408	11085	13899	16121	18312	18312	Revenue USD Mil
43.5	46.4	46.7	47.2	50.7	51.8	53.8	53.0	56.2	52.0	52.0	Gross Margin %
524	877	578	1313	801	2395	1145	2405	3871	3109	3109	Oper Income USD Mil
20.8	26.8	12.0	25.0	9.5	25.5	10.3	17.3	24.0	17.0	17.0	Operating Margin %
410	691	332	1072	546	1952	635	2000	3331	2759	2759	Net Income USD Mil
0.76	1.20	0.50	1.59	0.69	2.38	0.78	2.23	3.67	3.09	3.09	Earnings Per Share USD
0.04	0.06	0.12	0.22	0.25	0.33	0.41	0.48	0.67	0.78	0.78	Dividends USD
562	590	688	681	805	830	820	896	921	893	893	Shares Mil
3.57	5.92	8.60	9.64	17.23	17.96	18.34	21.71	24.45	25.08	25.14	Book Value Per Share USD
354	627	1249	1370	2058	1813	3231	3373	4136	4134	4134	Oper Cash Flow USD Mil
-160	-208	-311	-310	-390	-542	-681	-719	-710	-1053	-1053	Cap Spending USD Mil
193	419	938	1060	1668	1271	2550	2654	3426	3081	3081	Free Cash Flow USD Mil

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	TTM	Profitability
10.2	13.1	4.3	10.7	3.5	8.9	2.3	6.0	9.3	6.3	6.3	Return on Assets %
25.6	27.0	7.7	18.8	6.3	15.7	4.2	11.3	16.2	12.5	12.5	Return on Equity %
16.3	21.1	6.9	20.4	6.5	20.7	5.7	14.4	20.7	15.1	15.1	Net Margin %
0.62	0.62	0.62	0.52	0.54	0.43	0.39	0.42	0.45	0.41	0.41	Asset Turnover
2.5	1.8	1.8	1.7	1.8	1.7	2.0	1.8	1.7	2.3	2.3	Financial Leverage

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	12-11	Financial Health
1377	2022	1998	3245	3569	4488	2945	4539	2348	606	606	Working Capital USD Mil
1161	815	1513	1773	4585	3347	5537	4311	4110	10236	10236	Long-Term Debt USD Mil
1829	3289	5389	6042	11142	13724	16300	19222	21947	22195	22195	Total Equity USD Mil
0.63	0.25	0.28	0.29	0.41	0.24	0.34	0.22	0.19	0.46	0.19	Debt/Equity

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	TTM	Valuation
25.4	23.8	59.9	27.0	45.0	19.5	54.6	25.2	14.2	13.1	13.6	Price/Earnings
4.3	5.1	4.3	6.0	2.8	4.1	3.1	3.6	3.0	2.0	2.0	P/E vs. Market
5.4	4.8	3.5	4.5	1.8	2.6	2.3	2.6	2.1	1.6	1.7	Price/Sales
30.7	26.7	16.4	22.9	11.5	21.3	10.8	14.9	11.6	8.8	9.1	Price/Cash Flow

Quarterly Results						
Revenue USD Mil	Mar 11	Jun 11	Sep 11	Dec 11		
Most Recent Period	4080.0	4212.0	4344.0	5676.0		
Prior Year Period	3653.0	3800.0	4250.0	4418.0		
Rev Growth %	Mar 11	Jun 11	Sep 11	Dec 11		
Most Recent Period	11.7	10.8	2.2	28.5		
Prior Year Period	16.1	11.8	19.7	16.2		
Earnings Per Share USD	Mar 11	Jun 11	Sep 11	Dec 11		
Most Recent Period	0.84	0.64	1.03	0.57		
Prior Year Period	0.79	0.88	1.15	0.84		

Industry Peers by Market Cap				
	Mkt Cap USD Mil	Rev USD Mil	P/E	ROE%
Teva Pharmaceutical	37130	18312	13.6	12.5
Novartis AG	128430	59066	15.0	13.5
Watson Pharmaceutica	9286	5232	34.3	7.7

Major Fund Holders		% of shares
		—
		—
		—

*3Yr Avg data is displayed in place of 5Yr Avg

TTM data based on rolling quarterly data if available; otherwise most recent annual data shown.

Teva Pharmaceutical Industries Ltd TEVA (NAS)

Last Close	Industry	Sector
42.05 USD	Drug Manufacturers Healthcare - Specialty & Generic	

Management & Ownership

Management Activity

Name	Position	Shares Held	Report Date*	InsiderActivity
NA	NA	NA	NA	NA

*Report date represents the date on which the owner's common shares held was audited.

Fund Ownership

Top Owners	Morningstar Rating	% of Shares Held	% of Fund Assets	Change (k)	Portfolio Date
American Funds EuroPacific Gr A	QQQQ	2.78	1.10	-1,130	31 Mar 2012
Thornburg International Value A	QQQ	1.46	2.06	0	29 Feb 2012
Hartford Capital Appreciation A	QQ	1.26	3.72	0	29 Feb 2012
PowerShares QQQ	QQQQQ	0.94	1.05	209	31 Mar 2012
Vanguard Wellington Inv	QQQQQ	0.79	0.50	293	31 Dec 2011
Concentrated Holders					
AMIDEX35 Israel	QQ	0.00	11.08	40	31 Dec 2011
Aberdeen Israel Fund		0.02	10.58	0	30 Apr 2012
ESPA Stock Biotec VT	QQQQ	0.01	5.61	12	31 Jan 2012
Ubank Global Equity	QQQQQ	0.00	5.11	-1	31 Jan 2012

Institutional Transactions

Top 5 Buyers	Morningstar Rating	% of Shares Held	% of Fund Assets	Shares Bought/Sold (k)	Portfolio Date
BlackRock Global Allocation Inv B	QQQ	0.33	0.23	857	31 Oct 2011
Franklin US Opportunities A YDis E	QQQQ	0.06	0.93	541	31 Dec 2011
Victory Diversified Stock A	QQ	0.14	2.34	528	31 Mar 2012
Perkins Mid Cap Value L	QQQQ	0.26	0.75	400	31 Mar 2012
Prudential Ret SA/T.Rowe Price Gr Stk SP		0.03	2.15	302	31 Dec 2011
Top 5 Sellers					
American Funds Growth Fund of Amer A	QQQ	0.23	0.07	-1,500	31 Mar 2012
CREF Global Equities	QQQ	0.15	0.41	-1,266	29 Feb 2012
American Funds EuroPacific Gr A	QQQQ	2.78	1.10	-1,130	31 Mar 2012
CREF Stock	QQQQ	0.55	0.21	-1,115	29 Feb 2012

Teva Pharmaceutical Industries Ltd TEVA (NAS)

Last Close	Industry	Sector
42.05 USD	Drug Manufacturers	Healthcare - Specialty & Generic

Industry Focus: Drug Manufacturers

CROs Will Return to Relevance in 2012

11 January 2012

Lauren Migliore
Stock Analyst

Contract research organizations remain on sale as industry rebound gains steam.

We think the contract research organization (CRO) industry is on the rebound, as evidenced by a resurgence in new business activity and revenue growth during the last year. Widespread top-line growth that began in the second quarter continued into the third; on average, the CROs we cover increased revenue 11.1% and 1.8% on a year-over-year and sequential basis, respectively. We expect growth in the CRO industry to continue accelerating into 2012, and the rise of the strategic partnership model should concentrate these benefits in the hands of a select group of narrow-moat providers.

Future Hinges on Partnerships

The emergence of the strategic partnership model, which has seen the world's largest drugmakers pair up with leading CROs as long-term partners in research and development, has helped fuel the industry's return to growth. The second and third quarters marked the first periods since the beginning of the drug development slowdown that the industry saw widespread top-line growth. Covance CVD and Pharmaceutical Product Development PPD were once again the biggest top-line gainers during the quarter. These firms were a couple of the earliest CROs to sign long-term deals with Big Pharma partners, and we think their continued success attests to the growing importance of incremental revenue derived from new strategic alliances. Chinese CRO WuXi PharmaTech WX reported another period of double-digit revenue growth during third quarter led by the firm's burgeoning manufacturing services division. WuXi is responsible for manufacturing hepatitis C therapy Incivek for Vertex VRTX and Johnson Johnson JNJ, and the drug's first full quarter of sales since launch was a driver behind this huge jump in manufacturing services revenue compared to the prior year. We think the firm is well-positioned to capitalize on drugmakers' increasing use of both offshoring and outsourcing for their drug development needs. However, we remain concerned

that rising labor costs in China eventually will eat away at WuXi's profits over time.

Charles River Laboratories CRL remained the laggard of the pack as the firm's earnings continued to stagnate because of persistent underperformance in the preclinical services segment. Although Charles River turned in positive top-line growth in the third quarter, most of the year-over-year benefit was due to foreign currency gains. Growth was driven by strong demand in the firm's research models and services segment. However, preclinical services continued to weigh on the firm's overall performance; management noted that a sales bias remains toward short-term, less complex studies as clients try to eliminate molecules earlier in the drug-development process to save costs. On the positive side, the firm announced it has significantly expanded a preferred-provider agreement with a leading global pharmaceutical firm and is in the early stages of similar discussions with other large clients. We think this reinforces our thesis that drugmakers will increasingly turn to outsourcing as a way to reduce fixed costs and improve the drug-development process.

Preparation Will Pay Off Down the Road

While these dynamics bode well for the major players' long-term growth and profitability, an unusual amount of projects in startup mode may weigh on results in the near term. As the industry evolves into a strategic partnership model, CROs' investments in staff and infrastructure to prepare for increased volumes have strained near-term profit levels. Resource buildups to support recently signed partnerships, which require substantial new costs without an immediate increase in compensating revenue, have weighed on earnings for ICON ICLR and Parexel PRXL --which were named the two strategic partners of Pfizer PFE in May.

Although price concessions accompany the substantial volume of work that is being transferred, margins should expand as trials are optimized and increased visibility improves efficiency. Accordingly, we expect profitability at these firms to recover in 2012 as partnerships mature and productivity improves. Furthermore, aggressive cost cuts and share buybacks during the last year should continue to

Teva Pharmaceutical Industries Ltd TEVA (NAS)

Last Close	Industry	Sector
42.05 USD	Drug Manufacturers	Healthcare - Specialty & Generic

Industry Focus: Drug Manufacturers

fuel double-digit earnings per share growth for CROs with more established strategic alliances, like Covance.

CROs Still on Sale

Overall market uncertainty is keeping shares of CROs at depressed levels. Our CRO coverage universe trades at an average discount of 35% to our fair value estimates, and we think the entire industry is attractively valued at current trading levels. ICON and Charles River trade at the steepest discount to our valuation estimates, and these two names continue to represent our top picks in the space. Shares of Covance--one of the highest-quality players in the industry--are also trading at attractive levels and have entered 5-star territory.

ICON has seen its earnings slide in recent quarters, primarily due to the addition of 500 new staff members as it ramps up hiring in anticipation of its new Pfizer partnership. We think ICON is set for a dramatic rebound in 2012 and maintain our rosy long-term outlook. Similarly, Parexel's earnings also remain off year-ago levels as the firm accelerates its hiring to meet expected future requirements of its clients. However, we think Parexel finally has turned the corner in the first quarter of its fiscal year 2012, as investments in infrastructure for the expected uptick in demand are beginning to pay off. We expect this momentum to carry into the remaining quarters in fiscal 2012 as strategic partnerships mature.

Shares of Charles River also remain undervalued as continued declines in preclinical services weigh on the stock. It appears the investment community is concerned with management's projections for a longer-than-expected delay in the recovery of preclinical services demand, which the market seems to be looking to as the primary catalyst for the stock at this point. We think investors have been presented with an attractive entry point for this high-quality CRO. Demand normalization and capacity reduction should help the firm return to top-line growth in 2012. Overall, we expect stable, single-digit growth in research models and services and low-double-digit growth in preclinical services--primarily driven by increased outsourcing penetration--to yield roughly 7% annual revenue growth once drugmakers thaw their pipelines.

Finally, mergers and acquisitions could provide additional upside for CRO investors in 2012. The industry witnessed a flurry of acquisition activity during the last year. Private equity firms historically have demonstrated a strong interest in the sector, which has been out of favor in the market for some time and ripe for restructuring efforts. The acquisition of leading CRO Pharmaceutical Product Development (by private equity groups Carlyle Group and Hellman Friedman) was finalized in early December and we think the firm's 30% takeover premium reinforces our favorable view on the prospects of this high-growth sector.