



## 3 Reasons to Buy Valeant Pharmaceuticals Intl Inc.

### Description

**Valeant Pharmaceuticals Intl Inc** (TSX:VRX)(NYSE:VRX) is Canada's largest pharmaceutical company. No other pharmaceutical company in Canada comes close. And it's a company that continues to grow based on the acquisitions that it makes.

Some would argue that Valeant is not a worthy buy. Because the company spends so much on acquisitions rather than organic research and development, there is concern that the company will falter. **Allergan, Inc.** (NYSE:AGN), a takeover target of Valeant's, argues that this strategy makes the company dangerous and therefore isn't a good company to merge with.

I say Valeant is in a great position to grow. Here are three reasons you should buy.

#### 1. The Allergan acquisition

Valeant partnered with hedge fund investor Bill Ackman in an attempt to take Allergan over back in April. There was quite a bit of back and forth, with Valeant repeatedly increasing its bid. At this point, the acquisition hasn't happened yet, but the signs point to it occurring.

Allergan is doing everything it can to prevent this from happening. It is currently trying to buy **Salix Pharmaceuticals, Inc.** (NASDAQ: SLXP). Ackman is threatening to sue if Allergan proceeds without a shareholder vote. His belief is that the shareholders will vote against buying Salix. By purchasing Salix, Allergan believes it would then be too big for Valeant to make the purchase.

However, I think Valeant will succeed in buying Allergan. And if it does, it will gain access to the very lucrative Botox business. In 2013, Allergan had revenue of \$6.3 billion. If Valeant succeeds in buying Allergan, Valeant will see its revenue effectively double with one acquisition. That makes it a buy.

#### 2. China and ophthalmology

In 2013, Valeant bought Bausch & Lomb Holdings Inc. from Warburg Pincus LLC for \$8.7 billion. It is one of the largest ophthalmological companies in the world, specializing in contact lenses, lens care products, and eye disease treatments. This, along with Valeant's existing eye-care businesses, was

combined to form one large division.

In 2014 alone, seven new products were launched from this acquisition that the company expects will generate up to \$890 million in peak sales. And that's just the expected launches for 2014.

But what makes this particular purchase really exciting for shareholders is China. Bausch & Lomb has a strong foothold in China, which Valeant does not. By acquiring this company, Valeant can work to get its products to over one billion Chinese customers. That's a lot of people who are going to one day need contacts—or Botox.

### 3. Your portfolio needs a biotech

Even if you don't believe that the Allergan acquisition and the expansion into China make this stock a great value, consider this: You likely need a biotech in your portfolio. We are at a point where the biotech sector is consolidating. Left and right, pharmaceutical companies are buying up each other to continue keeping revenue coming in.

Unlike other companies, though, Valeant specializes in this acquisition strategy. It has acquired dozens of companies since its inception—some large and some small—and it is effective at integrating them. Further, it is able to prune positions in the company without sacrificing any of its products.

While the EPS is still -2.50 and it pays no dividend currently, this company is growing. And right now, it's close to \$30 under than its 52-week high. I believe Valeant is going to grow and I believe you should have it in your portfolio.

#### CATEGORY

1. Investing

#### TICKERS GLOBAL

1. NYSE:BHC (Bausch Health Companies Inc.)
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#### Date

2025/08/03

#### Date Created

2014/09/26

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