



Valeant Pharmaceutical International Inc. Lost its Bid for Allergan, Inc; Now What?

Description

For the past eight months, **Valeant Pharmaceutical International Inc.** (TSX: VRX)(NYSE: VRX) has been trying to purchase **Allergan, Inc.** (NYSE: AGN). It had even raised the price of its original bid to US\$200 a share, which is \$70 more than where Allergan was when the bid initially started.

However, on Monday, it was reported that Allergan had agreed to be acquired by **Actavis plc** (NYSE: ACT) for US\$219 per share, which would price the company at \$66 billion. Unfortunately for Valeant, that was just too rich and it announced that it was bowing out.

Is it time to liquidate your position?

I don't think so. The market has already taken into consideration that the acquisition might never happen. When Valeant and fund manager Bill Ackman announced their intention to merge Valeant and Allergan on April 22, 2014, the price of Valeant was \$149.38. At the close of business on Monday, the price of Valeant was \$154.40, which was 1.93% higher than the previous day, despite the failed acquisition.

Therefore, I believe investors have valued this company at its current price because of where Valeant will go without Allergan. And hey, at least Valeant made something out of this whole ordeal. Due to its arrangement with Bill Ackman, Valeant will make approximately US\$320 million, which is its share of the profits that Ackman made on its stake in Allergan.

China will be huge for Valeant

While the Allergan acquisition failed, Valeant has succeeded in acquiring many other great companies. One of those companies was Bausch & Lomb Holdings Inc. This acquisition gave Valeant access to one of the largest ophthalmological companies in the world. It specialized in contact lenses, lens care products, and eye disease treatments.

Bausch & Lomb had already developed a strong foothold in China. Valeant has never had much success penetrating this market. There are 1.3 billion people in China. How many of them are going to want to get contacts? And by having B&L in China already, Valeant will be able to generate a

significant amount of money from the country.

But it's not just its optical department. Any division of Valeant, present and future, will have the potential to penetrate the Chinese market because of its foothold via B&L. China is the future for many big companies and getting into it can prove difficult. Once a company is in, it has a lot of potential to grow.

Valeant belongs in your portfolio

While I had hoped Valeant would succeed in acquiring Allergan, I still believe that the company has a bright future in front of it. It will move on to other acquisitions that will grow the business. However, it is Canada's largest pharmaceutical company and has a lot of room for growth. Because of that, I think you should add it to your portfolio.

CATEGORY

1. Investing

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1. NYSE:BHC (Bausch Health Companies Inc.)
2. TSX:BHC (Bausch Health Companies Inc.)

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