

## Will Pfizer Inc. Look to Buy Valeant Pharmaceuticals Intl Inc.?

### Description

There's no denying that the 2014 was the year of the acquisition in the pharmaceutical business. Big companies bought small companies; big companies bought even bigger companies. **Pfizer Inc.** ([NYSE:PFE](#)) attempted to buy **AstraZeneca plc** but failed to make that happen. All told, pharma M&A had US\$234 billion in announced acquisitions.

Now, though, there's talk that 2015 is going to continue being a big year in acquisitions, especially with interest rates so low. And one rumor swirling around is that Pfizer is not going to back down and will find other companies to buy. One of those could end up being one of my favourite companies, **Valeant Pharmaceuticals Intl Inc.** (TSX:VRX)(NYSE:VRX).

Valeant has experienced exponential growth over the past few years, primarily because of its method of buying rather than researching new products. But that growth has been accomplished through a lot of debt and acquisitions, making it difficult to imagine Pfizer buying Valeant. The size of the company is appropriate — Pfizer bid over US\$100 billion for AstraZeneca — but the financials may not work out. Based on today's price, Pfizer might have to offer close to \$80 or \$90 billion to get a deal done, and that doesn't seem probable.

### Could Valeant buy Pfizer?

That headline is a little bombastic, but there's some potential in that. Pfizer could look to split itself into two companies rather than staying together as one large one. The likely way this would happen is if Pfizer were to acquire another large competitor. It could then split its generics into a separate business.

If that were to happen, it's easy to see that Valeant would want to buy it. Generics fit right into Valeant's business model for a few reasons. The first is because they don't require much research and development; other patent holders already did so and profited from it. Second, because there is little cost, there's the potential for a significant amount of revenue. In 2013, the generics business accounted for close to 20% of Pfizer's business.

These are exactly the types of things Valeant wants. The problem here is that Valeant is smaller than Pfizer's generics business by a lot. And on top of that, Pfizer would suffer a serious hit on its taxes if it sold the generics business. Both are these things could get in the way of an acquisition happening.

### Should you buy Valeant?

Pfizer buying Valeant is a pipe dream if you ask me, and Valeant buying Pfizer's generics business is still years away from happening. If you want to buy Valeant — and I think it's a great company to own — buy it because it's growing. But understand that this company is going to continue bringing in more debt as it tries to become one of the top five pharmaceutical companies in the world.

If you are looking for exposure to the U.S. like Valeant and Pfizer have, you might want to try another group of companies. They are a great way to diversify your portfolio.

## CATEGORY

1. Investing

## TICKERS GLOBAL

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

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## Author

jaycodon

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